

**BUSINESS**

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## LINKING EDUCATION AND ECONOMIC GROWTH

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**ABSTRACT:**

At different times economic growth has been explained by using various factors: production resources, productivity of different resources, population growth, investment, technological progress etc. In the 60th scientists paid attention to the influence of human capital on economic development. For the first time the role of human capital in achieving economic well-being of the country was described in the works of G. Becker, T. Schultz. Becker found that investing in human capital yields the same return as investing in other factors of production, but this effect has long-term returns. Study of human capital as a factor of economic growth has been made by E. Denison, J. Kendrick, R. Lucas, P. Romer, R. Solow, T. Schultz, Mankiw, Weil. According to the model of economic growth created by Mankiw-Romer-Weil (1992), human capital accounted between 1/3 to 1/2 of economic growth.

Since the category of "human capital" is formed by three factors: education, health, standard of living and taking as a basis of this category education, it is possible to analyze its impact on economic growth. T. Schultz, Nelson and Phelps (1966), Lucas (1988), Murphy and Tamura (1990), Rebelo (1992), Barro (1994) and other tried to explain the economic growth from a position educational level of population. Schultz found that 60% growth in national income in developed countries was determined by knowledge and education of society. According Denison's research in the field of economic growth for the period from 1929 to 1970, the impact of education in the growth of national income amounted to U.S. - 15%, Belgium - 14%, Netherlands - 5% England - 12%, Italy and Norway - 7%, France - 6%, Denmark - 4%, Germany - 2% The research for the later period were carried by A. Maddison (1987). According to his data (1973-1984) contribution of education to economic growth in the U.S. amounted 23.4% UK - 30.2%, Japan - 11.3%, France - 27.5%, Germany - 5.9%.

Recent studies held by World Bank, (Hanushek and Wosmann, 2007) showed that each additional year of education (increase in mean of average years spent on education) in the long term ensures economic growth on 0.58% per year.

There are several ways through which education affects on productivity of resources:

- Education contributes to the successful scientific research activities, which, in turn, provides scientific and technical progress;
- Education is involved in the creation of human capital, which directly affects the accumulation of knowledge and respectively, on the growth performance of all resources.

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