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Does years of schooling matter for economic growth at different development levels? New evidence from China

This research paper investigates the relationship between education and economic growth in China from 1989 to 2019 across 27 provinces. The study classifies education into two categories: aggregate education (average years of schooling) and disaggregated education (education divided into compulsory, high school, and higher education). The data is analyzed based on pre- and mid-industrialization periods, and East and West regions, with and without pre- and mid-industrialization, for both levels of education. The findings indicate that the impact of education on China's economic growth varies by period (pre- and mid-industrialization), region (East and West), and regions with periods (Eastern pre-industrialization, Western pre-industrialization, East mid-industrialization, and West mid-industrialization) in both aggregate and disaggregated education. According to the research results, the central government should revise its current educational policies to prioritize compulsory education and increase investment. Furthermore, local governments should have more administrative authority to create local educational policies catering to the specific needs of each locality.

Keywords: China; education; years of schooling; economic growth; industrialization.
JEL classification: E24; O47; O14.

1. Introduction

Since the early 1960s, when the American economist Theodore Schultz (1961) developed the human capital theory, it has been widely proven that human capital plays a significant role in economic growth. According to Schultz (1961) and Becker (1964), human capital can be understood as the collection of knowledge, skills, competencies, and abilities inherent in individuals and acquired through various means, such as health, migration, and education[2]. Education is widely recognized as a critical investment in human capital linked to economic growth through

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[2] Education can be measured by various factors, including years spent in schooling, e.g. (Zhang, Zhuang, 2011; Yan, Yudong, 2003). Intuitively, the more years a person spends in school, the more knowledge, skills, competencies, and abilities they acquire. In other words, there is a positive correlation between education and the number of years spent in schooling. For more detailed information on the measurement of education, see Appendix B. However, other indicators of human capital, such as health and migration, are outside the purview of this study. For more information, refer to (Bloom et al., 2018; Monterubbianesi et al., 2017; Faggian et al., 2018; Gagliardi, 2015).