

LOST LINK BETWEEN EDUCATION AND ECONOMY: WEAK STATE IN MONGOLIA AND POLITICAL RESPONSE TO HIGHER EDUCATION REFORM

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This study investigates how weak state and political response explain the relationship quality between education and economy. The study used phenomenological research to find answers to its research questions. We utilized deductive content analysis with three preconceived criteria or themes to analyze qualitative data we collected through face-to-face interviews and secondary sources. The findings of this content analysis reveal that weak state and political response weakens national education policy rational, policy sustainability and societal impact for making economic growth through investments in human capital and education. This gains good evidence to the claim that state behaviors explains the linkage between education and economy.

INTRODUCTION

Since 1960s, many scholars have studied the relationships between education and economy actively. Today this issue has become much more important as in the beginning, knowledge-based economy began to determine the trend of 21st century

economy and then it has been gradually developing into creative economy. On one hand, many countries want to raise the average level of schooling, so that the productivity and quality of jobs in the economy will improve and consequently economic growth will increase. On the other hand, now almost all countries feel and see that they can survive in and get benefit from a new global economic order if they succeed in building an innovative nation through efficient investments in human capital and education reform.

The literature tradition on education and economy began with the term “human capital”. Becker (1962) and Schultz (1961) are major scholars who did pioneering works on the concept “human capital”. Their research findings show that investment in human capital leads to higher earnings, higher productivity, and as a result, higher economic growth. In late 1980s, many scholars began to pay more attention to long term effect of investment in human capital as a determinant of economic growth. They developed a new economic growth model. It was the “endogenous-growth” model. They explain the long-term rate of growth under this model. Their theory holds that innovation or knowledge transfer contribute to long-run economic growth (Acemoglu & Zilibotti, 1999; Romer 1986; Barro 1996; Barcenilla-Visús, López-Pueyo, and Sanaú-Villarroya, 2014).

Since early 1990s, there have been many cross-country and cross-regional empirical researches. They have been influences of endogenous theories that were made in 1960s and 1980s (Koopmans, 1965; Lucas 1988; et al). They stressed the impact of technological progress when they asserted the government policies, and human capital (Loening, 2005). Early endogenous theories emphasize that technology transfer plays a significant role in generating higher level of output and economic growth (Nelson and Phelps 1966 and Lucas, 1990). Some studies argue that advances in education and its positive influence on economic growth can be imported to developing nation-states. For instance, Benhabib and Spiegel (1994) proposed that new technology of innovation can be adopted via the human capital stock from innovative countries. Most of endogenous theories claim that there is a strong causal link between education and economy. However, some theories argue that there is no strong causal link between education and economy (Bils and Klenow, 2000; Caselli et al., 1996; Islam, 1995; Knight et al., 1993). For example, the research work of Pritchett (1996) shows that human capital accumulation has a significant negative impact on productivity growth. Such a negative correlation may occur in association with wrong policy environment and stagnant demand for educated labor force, and schooling. Researchers explain the robust relationship between education and growth in association with the different influences of model specification and inclusion or exclusion of certain control variable (Levene and Renalt, 1992).

Research findings often show that government or state plays a crucial role in creating the indirect link between education and economic growth as a mediation agency (Churchill, 2015 et al). They studied the growth effect of both government education and health expenditures. Many scholars and education research institutes study the link between government policy and labor outcome (Fasih, 2008).¹³ Their works have made a lot of evidences of the importance of investing in education in developing human capital and creating its contributions to economic growth and social development (Case 2001; Krueger and Lindahl 2000; Hanushek and Woessmann 2007 et al).¹⁴ In recent years, vast literature provide evidences of investing in knowledge-based economy, so that wealth creation through human knowledge application and creativity will make greater economic development and growth. For example, one of recent researches on this issue clearly argue that knowledge transfers and innovation or in the broader term, knowledge economy has already emerged as a pivotal tool for nations in achieving their economic goals (Kefela, 2010). According to Barrett (2010), three major drivers of innovation such as smart people, smart idea, and right environment cannot be developed without a leadership role of government.

Since 2000, many researchers have studied higher education institution's role in the economic growth through investment in education. Some researches reveal that industrial countries have been moving to develop successful partnership among government, university, and business community (Etzkowitz & Leydesdorff 1997; 2000; Etzkowitz et al. 2000).¹⁵ Other research works suggest that both national and sub-national governments should have leadership roles in supporting the linkage between a university and industry (Yusuf, 2007). According to Mathews and Hu (2007), the cooperation of state and state-sponsored institutions with private-sector firms and market is a pivotal factor to steer the development of industry and market. It is obvious that state role in human capital and economic growth has been explored extensively. What remains to be explored, however, is how the behavior of central decision-makers affects the linkage between education and economic growth.

The purpose of this inquiry is to explore the strength of a state that may protect general societal goals against interest groups for ensuring the economic growth effect of investment in human capital and education. Most especially, this study examines how the behavior of weakest state influences the ability of a state to confront internal opponent for ensuring the economic growth of human capital investment.

¹³ Tazeen Fasih (2008). "Linking Education Policy to Labor Market Outcomes." *International Bank for Reconstruction and Development, World Bank*

¹⁴ *Ibid* p. 8-9

¹⁵ Pundy Pillay (2011). "Literature Review: Higher Education and Economic Development." *Centre for Higher Education Transformation, Wynberg.*

Since the strength of state in relation to its society is essential for insulating general societal goals from the influences of political interest groups, we have formulated three central research questions about the effect of strength of state autonomy on the growth effect of investment in human capital. 1. How does a state behavior explain the lost link between education and economy? 2. How does an appointive bureaucracy explain state policy sustainability? 3. How do Mongolian educators describe a state intervention in education for economic growth?

We shall begin with the brief literature review on national interest and policy-making in a weak and strong state. Then, we shall describe the research framework and methods. This section also covers validity and reliability analysis of data collection of this study. After that, research findings will be described in qualitative interpretation. Lastly, we conclude theoretical and practical implications of this study.

Theoretical Framework: National Plan Rational, Sustainability, and Societal Impacts of National Programs

In this scholarly study, we use the statist approach that is developed by Stephen D. Krasner, and “developmental state” theory that is developed by Johnson (1982) and Woo-Cumings (1999) as theoretical lenses. In the statist approach, a state is defined as “a set of roles and institutions having peculiar drives, compulsions, aims of their own that are separate and distinct from the interests of any particular societal group.”¹⁶ According to Krasner (1978), general societal goals that are sought by central decision makers are called the national interest. We have two basic ways to study the national interest. First one is “logical deductive”. Second one is “inductive”.¹⁷ The logical-deductive way holds that states will run certain objectives. For the empirical-inductive way, the national interest is inductively made from the behavior and statements of central decision-makers. However, the policy preferences of central decision-makers must meet two criteria, so that they can be called the national interest. First, their preferences and actions must not reflect preferences or needs of particular group and have to meet general objectives. Second, “the ordering of preferences must persist over time.”¹⁸ In this research, we inductively define the national interest as the preferences of Mongolian education decision-makers.

The second major concept that is used in this study is the strength of a state. The strength of a state is the ability or power of a state to confront internal and external opponents while a state is making a decision (Krasner, 1978; Katzenstein, 1977). The strength ranges from weak to strong. During this study, we focus mainly

¹⁶Stephen D. Krasner (1978). “*Defending the National Interest: Raw Materials Investment and U.S. Foreign Policy.*” Princeton University Press, Princeton, New Jersey, p. 10

¹⁷ *Ibid*

¹⁸*Ibid* p. 35

on how the weakest state affects the economic growth effects of education investment. Krasner (1978) claims that the weakest kind of state is one that completely permeated by pressure group.¹⁹ In other words, it can be explained that central government fails to maintain some autonomy from its society and it is not able to rapidly and dramatically impose structural transformations on the economic and social system.

In this research, we assume that the weak Mongolian central government serves the specific interest of some interest groups or is not able to resist the societal pressure. Such situation disables the Mongolian government's efforts to channel human capital investment into economic growth.

The third major concept that is used in this study is "developmental state". Here, we use the Chalmers Johnson's explanation for the concept. According to Chalmers Johnson (1982) and Meredith Woo-Cumings (1999), "developmental state is a shorthand for the seamless web of political, bureaucratic, and moneyed influences that structures economic life in capitalist Northeast Asia." Many scientists define "developmental state" as a Weberian ideal type of interventionist state. However, they all agree that this is not socialist irrational state where both ownership and management doesn't depend on market and refer to the full control of a state (like socialist countries like North Korea). "Developmental states" in north east Asia is plan-rational state for achieving rapid and sustainable economic and industrial growth. For example, Japan and South Korea made miracle of economic growth due to "developmental state". Most scholars studying developmental state claim that the binding agent of developmental state is a quasi-revolutionary regime that made ideology to implement revolutionary social transformation. The ideology was a "goal culture". For instance, Japanese economic nationalism mobilized its economy as a growth perspective for ensuring state autonomy and national survival in competing world. Ministry of International Trade and Industry (MITI) played a leadership role in mobilizing Japan's society and economy under the goal culture. The goal culture is a human action, and thinking that developed a specific political behavior.

The structures of bureaucracy in East Asia (for example, MITI) and Latin America is very different. According to Ben Ross Schneider, the main difference of Latin American bureaucracy is "fluid and weakly institutionalized" one in which political appointments distribute power and seats in bureaucracy after each election. Thus, it is common that state goal changes frequently since government officials are vulnerable to regime changes. Some scholars use the term "unpurposeful state". The alternative terminology for such a type of bureaucracy is "appointive bureaucracy". East Asian bureaucracy is completely different with Latin American bureaucracy

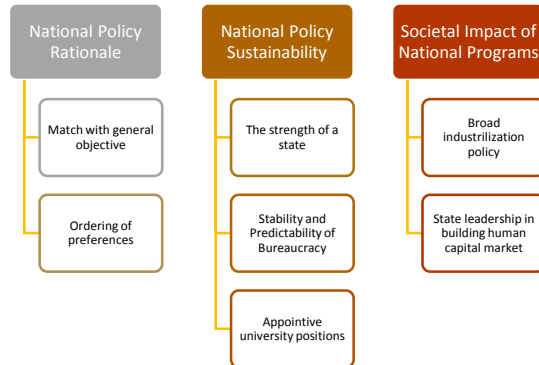
¹⁹¹⁹ *Ibid* p. 56

model. It is very professional and meritocratic bureaucracy. Japan and Korea's bureaucracy is stable and predictable, but Latin American bureaucracy is very unstable. Latin American bureaucrats are major political players, but they lack independent power bases because of political appointments. They are not considered as a strong social player or group. Meredith Woo defined them as brokers, deal makers, and idea peddlers.

Bureaucracy system works in a different way in Japan and Korea in comparison with bureaucracy system in Latin America. Elite state bureaucracy exists in Japan and Korea. People who graduated from the top ranks of best law schools are recruited to the bureaucracy. They are appointed based on the result of legally binding national examinations. Election results don't affect bureaucracy. Prime minister can appoint only about twenty ministers and agency chiefs. Bureaucracy is a very influential over the society by drafting all laws, ordinances and orders. They also formulate broad industrial policy, determine the means for implementing it, and create competition in their designated sector. In this research, we apply the concepts such as appointive bureaucracy, professional meritocratic bureaucracy, bureaucracy stability, and bureaucracy predictability for exploring the state's mediation effect on the causal relationship between education and economy.

On the basis of above overarching theoretical concepts such as "statist approach" and "developmental state", we made theoretical framework of this study. We use the framework for coding, analyzing, and interpreting data we collected for examining the set of hypotheses of this study. The theoretical framework consists of three major components such as national policy rationale, national policy sustainability, and impact of national government programs. The first component is designed for examining national policy rational for the economic growth of investment in human capital and education. Second component focuses on analyzing the government policy sustainability for ensuring the Mongolian national interest on developing economic growth of investment in human capital and education. Third component aims to assess how the national government works for turning the outcomes of national programs for economic growth of investment in human capital and education into the societal impact. The theoretical framework for examining the national policy rational, policy sustainability and societal impact of national program for making economic growth through investments in human capital and education is described in the figure 1 below.

Figure 5. Theoretical Framework for Analyzing National Policy Rational, National Policy Sustainability, and Societal Impact of National Programs



RESEARCH DESIGN AND METHOD

This study applied phenomenological research strategies. Phenomenological research is a strategy of inquiry in which human experiences and participant’s description about a phenomenon is considered as the most important data to discover the pattern and relationship of a phenomenon (Creswell, 2009). This type of research aims to explore a holistic picture of the subject of study by collecting, primarily, observational and interview data. Since participants’ description is essential, we set aside our own experience although we work and study in Mongolian education field for almost twenty years.

Settings and Actors

This study is conducted in Ulaanbaatar, capital city of Mongolia. There are two reasons to select Ulaanbaatar. First, education information and state administrative organizations are located in this city. Second, our research team work and live in Ulaanbaatar. The main informants of this study are Mongolian university professors, researchers, education administrative people, and international experts. Totally, we had in-depth interviews with 50 people. We selected informants considering working experience and professional backgrounds.

Data Collection and Analysis

This study relies on public documents analysis, in-depth interviews, and six-hour seminar on policy sustainability. Data was collected from October through November, 2021. The public documents for analysis can be classified as follows as:

- Legislation (Law on Education and Higher Education)
- Policy documents (Road Map)
- University strategic documents
- Others: Presentations on higher education reforms, reports, and secondary source interviews in newspapers, and articles in internet.

We used the first group of public documents for obtaining background information. We used policy documents, reports, presentations, and secondary source interview as the most significant parts of public documents.

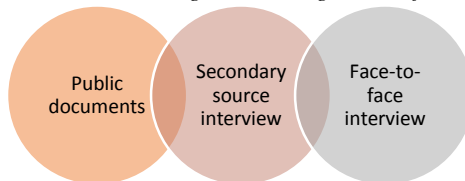
We had 50-minute interviews with 50 informants. We had face-to-face interviews with them in a separate room or through online meeting to respect their privacy. In addition, the informant agreed to record the interview in a field notebook.

According to Merriam (1988) and Marshall and Rossman (1989), we attempted to do data collection and data analysis in a simultaneous way. As it is written in section 2, we utilized the theoretical framework that was made based on some concepts of “statist approach” and “developmental state” literature traditions. We coded the data using the theoretical framework. Then we attempted to identify and describe patterns and themes from the perspectives of the participants and public documents. After that, we tried to understand and explain these patterns and themes. During the interpretation of data, we repeatedly categorized, reviewed, and coded the data.

Validity and Reliability

In this research, we utilized several strategies to ensure internal validity and reliability of this study. The first strategy was the triangulation of data. We diversified data collection with multiple sources. Data collection includes public document, face-to-face interview, and secondary source interview (see figure 2).

Figure 6. Triangulation of Data for ensuring the Internal Validity



Second strategy was the use of member checking. The informant served as a check during each interview process. We checked my understanding by introducing my interpretation and conclusions of data obtained from informants while we were having the interview.

The third strategy is peer examination. Our peer colleagues and social science friends served as a peer examination. They read our draft and provided us with insightful comments, so that we can improve the accuracy of my data analysis and interpretation.

DISCUSSION AND FINDINGS

This study utilizes the theoretical framework that is described in the figure 1 for coding, analyzing, and interpreting data. As it is written in the section 2, the theoretical framework consists three major criteria of analysis: national policy rationale, national policy sustainability, and societal impact of national programs.

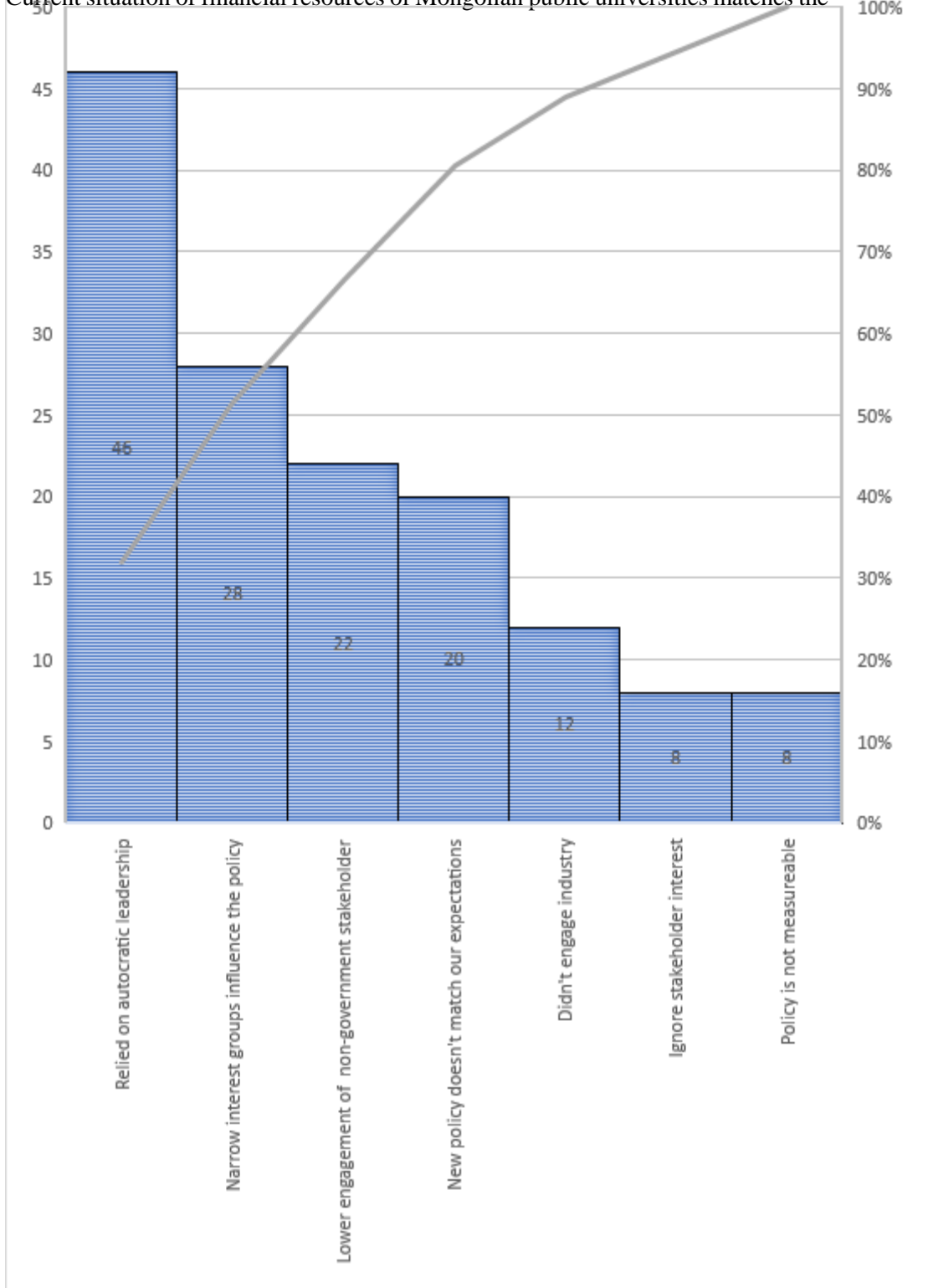
We use the criteria “national policy rationale” for examining how well Mongolian national policy rationales in the field of education meet national general objectives and the ordering of preferences. Here we check the validity of the national policy rationales in the field of education. For this purpose, we evaluated the government policy document on education from 2012 to 2021.²⁰ And also, we analyzed the data of face-to-face interviews to understand how Mongolian educators and non-government stakeholders perceive the rationale of education policy, most especially higher education reform that were made in 2012-2021 when the Democracy party and People’s Party have ruled the government of Mongolia and have had majority seats in the parliament.

While we were reviewing and comparing the government policy documents with information of interview informants, we found there are two critical problems in the national policy rationale and ordering of policy preferences. First one is an irrational higher education coercive reform policy. Our interview information shows that this lower policy rationale and coercive power occur because of policy makers who prefer autocratic leadership and narrow interest groups who are most influential actors in defining national policy on education. The interview data analysis shows that most frequently occurring two themes that appear next to the “national policy rationale” are autocratic leadership with 46 counts and influential narrow interest groups with 26 counts. Third frequently occurring theme is lower engagement of academic staff. These three themes indicate that the rationale behind the national policy of education sector looks lower in association with the lower engagements of non-government stakeholders such universities, industry, employers, community, researchers, and learners

Figure 7. Themes that appear around the national national rationale

²⁰ *Education Quality Reform Policy 2012-2016, Ministry of Education, Science, and Culture, Mongolia, Ochir Press Co.,Ltd, 2016*

Current situation of financial resources of Mongolian public universities matches the



finding of the pareto analysis that is described in the Figure 7. During the past three decades, both Democratic Party and People's Party government have made political responses to the request and needs of state owned universities to increase their tuition fee. They do not let state owned universities increase their tuition fee in connection with their election risk. This political response negatively affects the financial resources of those universities, so that they lack financial resources to improve their roles in the national economic growth.

Besides the political responses to tuition fee issue, politicians and political parties rush to implement their ambitious goals quickly even when higher education institutes are not ready to deliver their goals. When the Democratic Party was a ruling party, a research university policy began. The policy continues now even though People's Party are ruling the government these days. The priority of this policy is to increase the role of universities in the economic growth. This is a good and valid point according to the new century trend of global economy. However, the government made some irrational decisions in connection with this policy. Policy makers began to demand state owned universities to focus more on graduate education and reduce their undergraduate programs. The state-owned universities cut the number of undergraduate programs and increased graduate programs under the coercive guidance and intervention of the Ministry. However, universities have failed in recruiting enough graduate students. The decline of undergraduate students has seriously damaged the financial condition of Mongolian state-owned universities that depend greatly on tuition fee. According to information provided by interview informants, Mongolia still lack big business and industry that can feed research-oriented universities with business innovation contracts. These financial problems reveal that the government reform goals have failed in accurately reflecting the context of Mongolian domestic market.

The second one is the lack of evidence-based process in formulating the ordering of preferences for national goals. The Ministry of Education and Science (former Ministry of Education, Science, Culture, and Sports) establishes temporary task force for developing national policy. Most of task force members work on part-time while they are doing their full-time job. Therefore, the members of working team can't concentrate on the duty of their task force since they are quite busy with their full-time job. Mongolia really needs think tank institutes that conduct policy research, so that they can help the government to arrange orderings of policy preferences and national interest relations accurately. There has been no professional policy think tanks that officially contribute to national goal rationales and orderings of policy preferences. Since there are no professional scientific think tanks conducting policy research permanently beyond political interest groups, it is quite

difficult to believe in the validity and reliability of national policy goal rationales and orderings of policy preferences.

Our second preconceived criteria of analysis is “national policy sustainability”. It consists of two criteria such as “the strength of state autonomy” and “stability and predictability of bureaucracy”. We employ these two criteria to discover who governs Mongolian education policy. The data collected during this study describe that “appointive bureaucracy” governs Mongolia. After each election, government officials are affected by the ruling party change in association with the “the appointive bureaucracy”. In the “appointive bureaucracy”, political appointments structure power and government seats. Consequently, the “appointive bureaucracy” has built fluid, weakly institutionalized and low-skilled bureaucracy in Mongolia. Therefore, in Mongolian “appointive bureaucracy”, power of bureaucrats is highly unstable and unpredictable. For example, since 2016, there have been six ministers of education who have been appointed by the ruling People’s Party (see Table 1). During the appointments of new ministers, there have been changes in policy in association with changes and new appointments among high-ranking civil servants and changes in the structure of the Ministry.

Table 1. Ministers of Education from 2016 to present

#	In office	Full Names
1.	2016 to 2017	Jamiyansurengyn Batsuuri
2.	June, 2017 to September, 2019	Gelegpilyn Chuluunbaatar
3.	2017 to 2019	Tsedenbalyn Tsogzolmaa
4.	2019 to 2020	Yondonperenlein Baatarbileg
5.	July, 2020 to January, 2021	Lkhagvyn Tsedevsuren
6.	Since January, 2021 to present	Enkhamgalan luvsantseren

The government is also very vulnerable to the lobby or interest of their party or private sector interest groups. Most of them work for their party boss, rather than protecting Mongolian national interest on education and its impact on economic growth. Most serious problem is that political appointment has already exceeded the state level and it has already begun to structure human resource management at higher education institutions. One informant emphasized that a state has to respect university autonomy and must not interfere in institutional management of universities. He also stated that even political appointment influences university administrative people in appointing chairs of departments and this is an embarrassing phenomenon of current Mongolian higher education reform. Most of informants mentioned that a state must focus on national broad policy and allow higher education to manage their own internal affairs.

We employ the criteria such as broad industrialization policy and state leadership in building global human capital market for analyzing whether there is a government policy to exploit its investment in education and human capital for

building economic growth. Informants provided me with very useful and significant information about broad industrialization policy and state leadership in building global human capital market. Most of them stress that they are dissatisfied with the government efforts to develop effective and meaningful policy and action to create new industries, so that they create new innovation opportunities. They emphasize that Mongolia has own good space for developing new energy, new material sciences, and new biology disciplines if Mongolia build new industries for these disciplines. Since Mongolian government doesn't play a leadership role in developing new century industries for future Mongolia, Mongolian young scholars and entrepreneurs lack opportunities to use and develop their skills. And also, some informants emphasize that Mongolia has no proper policy to attract talented people into Mongolian human capital market and collaborate with them for finding solutions to both Mongolian and global problems. Their information shows that weak state that exists in Mongolia fails in creating link between education and economy.

CONCLUSION

This study placed a research goal to explore how the behavior of central decision-makers affects the linkage between education and economic growth. This research has focused on finding answers to the below central questions.

1. How does a state behavior explain the lost link between education and economy?
2. How does an "appointive bureaucracy" explain weak state?
3. How do Mongolian educators describe a state intervention in education for economic growth?

This research found that the state of Mongolia is very vulnerable to their party's political interest groups in formulating the national policy goals and ordering of policy preferences. According to the findings of this study, the vulnerability strongly exists in Mongolia state level, because governments officials are appointed by a ruling party after every election. As a result, Mongolian bureaucracy is weak, unstable, and less professional in making rational goals for national policy and programs.

Our research reveals that appointive bureaucracy" shapes the current Mongolian state behavior. Mongolian "appointive bureaucracy", power of bureaucrats is highly unstable and unpredictable. Political appointments make many government officials to work for the interests of their party boss and political party's most influential faction rather than protecting Mongolian national interest on education and its impact on economic growth. Such a political situation makes the societal role of Mongolian bureaucracy unstable and unpredictable. Therefore, we can conclude that a good example of weak state exists in Mongolian democracy.

Most of interview informants describe that they are frustrated with the state intervention in association with irrational national policy goals and excessive political appointments. Most of them emphasize that higher education institutions has lost its academic autonomy under the political appointments and coercive power of political parties. Based on this evidence, we could understand that weak state that reflects the interest of ruling party politics have damaged the state's role of mediation agency to convert the investment in education and human capital into economic growth.

Limitations of this Study and Tips for Future Research

This study has several limitations in connection with time and budget limits. First, research participants are limited with educators and university professors. The viewpoints of students and their parents should have been very important sources to provide useful information to make a holistic picture of state role in linking education to economic growth if we were able to collect data from them.

Second, all interview informants work at state-owned universities. Therefore, I suggest that one possible space for further research could focus on comparing the viewpoints of state owned and private university professors and academic staff.

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