

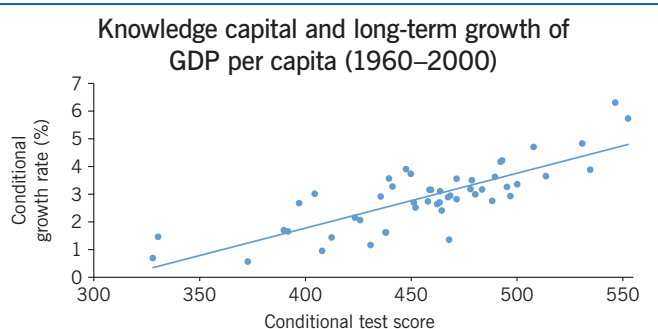
# For long-term economic development, only skills matter

## Economic growth determines a nation's long-term economic well-being and crucially depends on skills

Keywords: growth, cognitive skills, knowledge capital, teacher quality, Sustainable Development Goals, schools

### ELEVATOR PITCH

Politicians typically focus on short-term economic issues; but, a nation's long-term economic well-being is directly linked to its rate of economic growth. In turn, its growth rate is directly linked to the economically relevant skills of its population. Until recently, however, economists have found it hard to confirm this through empirical analysis because of difficulties in measuring the skills of different societies. International tests of mathematics and science achievement now offer reliable measures of a population's relevant cognitive skills.



Note: Each dot represents a country. The underlying regression model includes GDP per capita in 1960 and years of school in 1960.

Source: [1].

IZA  
World of Labor

### PROS AND CONS

#### Pros

- ⊕ Economic growth differences are readily explained by disparities in the knowledge capital of nations.
- ⊕ Correct measurement of skills is important and helps identify useful areas of policy improvement.
- ⊕ Economic growth generates GDP gains that allow countries to meet a variety of societal goals.
- ⊕ A trade-off between income growth and the equality of incomes is not inevitable.

#### Cons

- ⊖ Skill improvement is difficult because alternative schooling policies are controversial.
- ⊖ Economic results do not appear until far in the future.
- ⊖ Faster economic growth may mean greater inequality.
- ⊖ There are no analyses considering the lowest income countries.

### AUTHOR'S MAIN MESSAGE

A country's development depends on its economic growth, and countries that foster high levels of skills in their population will thrive in the long term. The gains in GDP related to skill improvements lead to substantial gains in GDP per capita, which can be used to finance other objectives, such as those found in the UN's Sustainable Development Goals. Analysis shows that there are enormous potential economic gains from improving the quality of schools. This finding justifies substantial schooling reforms.