

## **ABSTRACT**

This study applies the cross-country growth accounting regressions derived from the augmented Solow-Swan model to ascertain the growth effects of education in CEE and Balkan countries. We firstly test whether the total stock or accumulation of education matters more for corresponding countries' growth and afterwards we decompose the total stock into educational stocks at primary, secondary and tertiary levels to test whether the disaggregated educational levels have different growth effects. We do so by applying the panel fixed effects technique on 17 CEE countries during the 1990-2010 period. In addition, we address the endogeneity of education by using the lags of different educational proxies as instruments. The results suggest that the average stock of education is significantly contributing to economic growth of CEE countries with the biggest growth effect of tertiary education. Regarding the Balkan countries only, the growth effect of education is almost a null. We conclude that one cannot have economic growth without a good educational system and efficient usage of human capital. Thus, the policy implications should be related to the proper identification of the quality of educational governance, problem of mismatch on labor market and better utilization of human capital.

**Keywords:** Education, Economic Growth, CEE countries, Balkan countries, Cross-Country Growth Accounting, Endogeneity