Effects of human capital in developing countries

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Abstract

Improving education and health of people living in developing countries is an often discussed topic. We however know relatively little about the effects that investments into schooling and improving the nutrition and hygiene of people in those countries have on their productivity at work. This thesis investigates the effects of four variables representing investment into human capital on income of individuals from Bangladesh and Indonesia. The four studied variables are education, migration, height and Body Mass Index. The thesis aims at comparing results of estimation using instrumental variables estimator with previous similar research. It tries to observe possible differences in size of effects the human capital variables have. It finds however that the instrumental variables used are of insufficient quality for the estimation to yield reliable results. Because the instruments used were almost the same as in underlying works and their quality has not been previously tested the conclusion of this thesis is that further search for correct instrumental variables describing the human capital variables in various countries around the globe is necessary.