

Human development, trade and growth

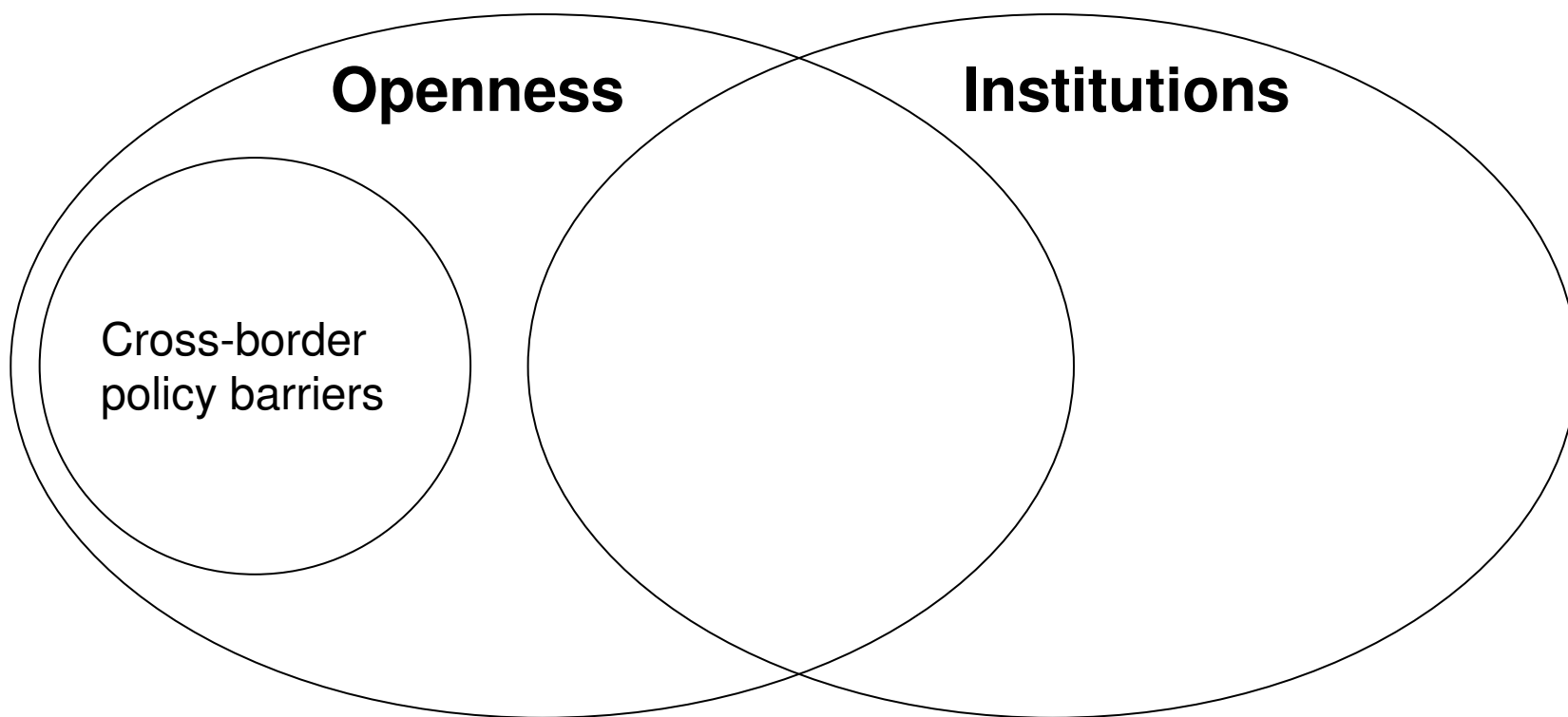
Adrian Wood

QEH, Oxford

Overview

- Structure of the talk
 - Trade and growth
 - Effects of HD on trade
 - Effects of trade on HD
 - Conclusions
- Not HD and growth (tomorrow)
- Use education as proxy for HD

Trade, institutions and growth 1



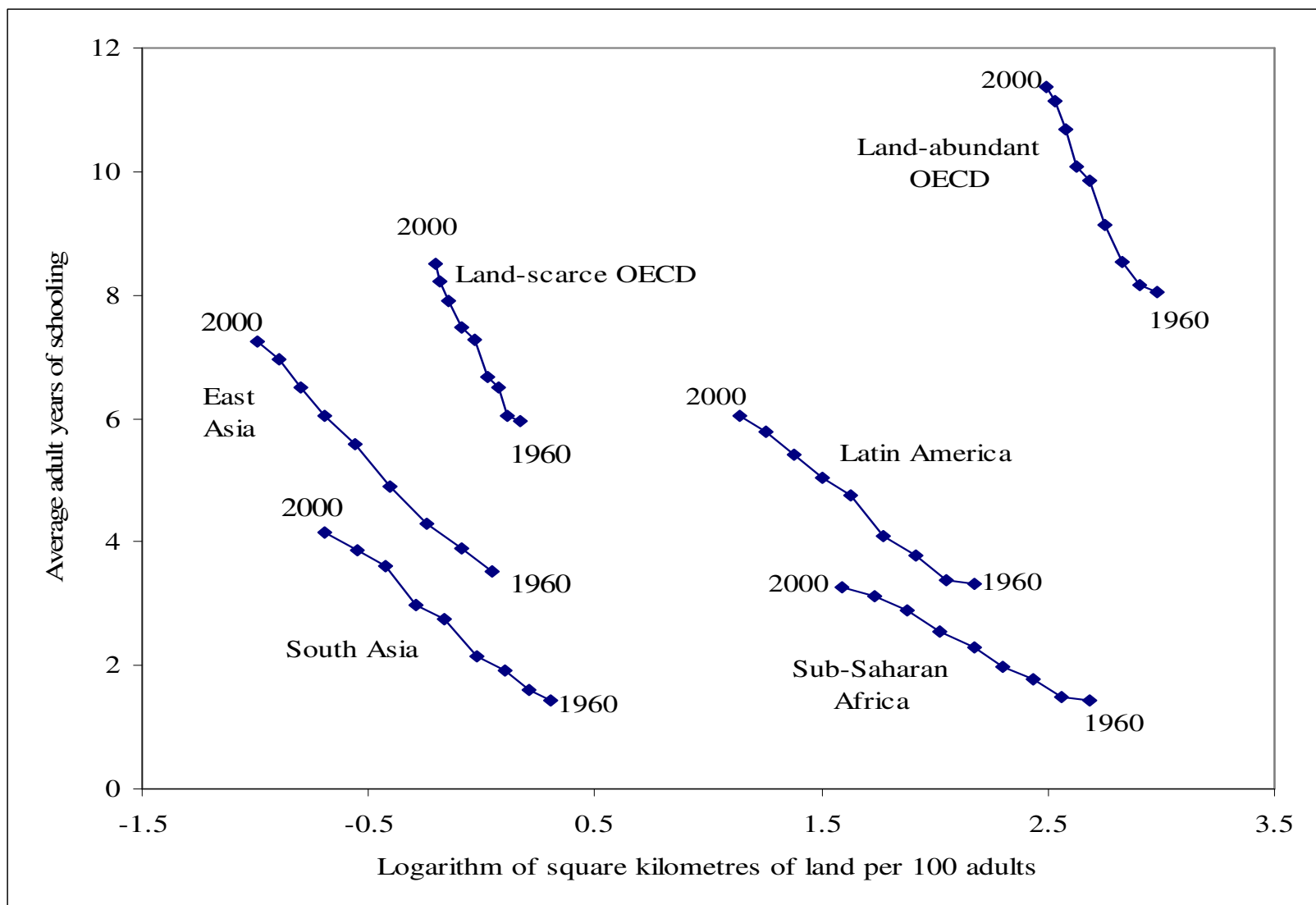
Trade, institutions and growth 2

- **Cross-border policy barriers**
- High CBPBs stop growth, but low ones not sufficient for growth (IIP debate on pattern)
- **Other barriers to openness**
- High openness is necessary for rapid growth, and is possibly sufficient
- **Other aspects of institutions**
- Good institutions (unrelated to openness) not sufficient for growth, possibly necessary

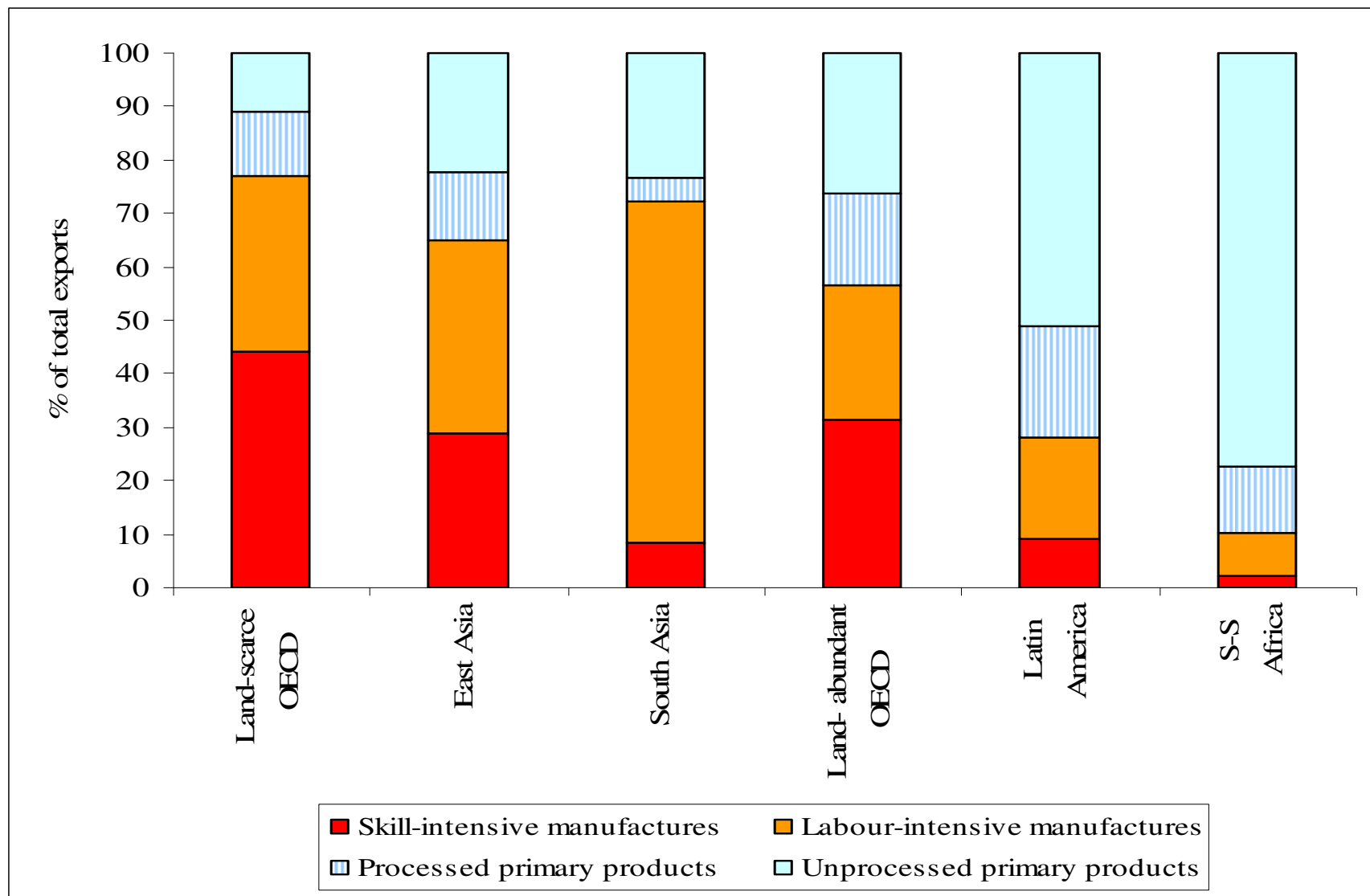
Effects of HD on trade: theory

- HD, especially education, affects *composition* of trade, especially of exports
- Reasons (H-O theory and common sense)
 - Countries export what they can make cheaply
 - Goods vary in needs for inputs of education
 - Educated labour cheaper where supply larger
 - So countries with higher levels of education tend to export more education-intensive goods

Effects of HD on trade: resources



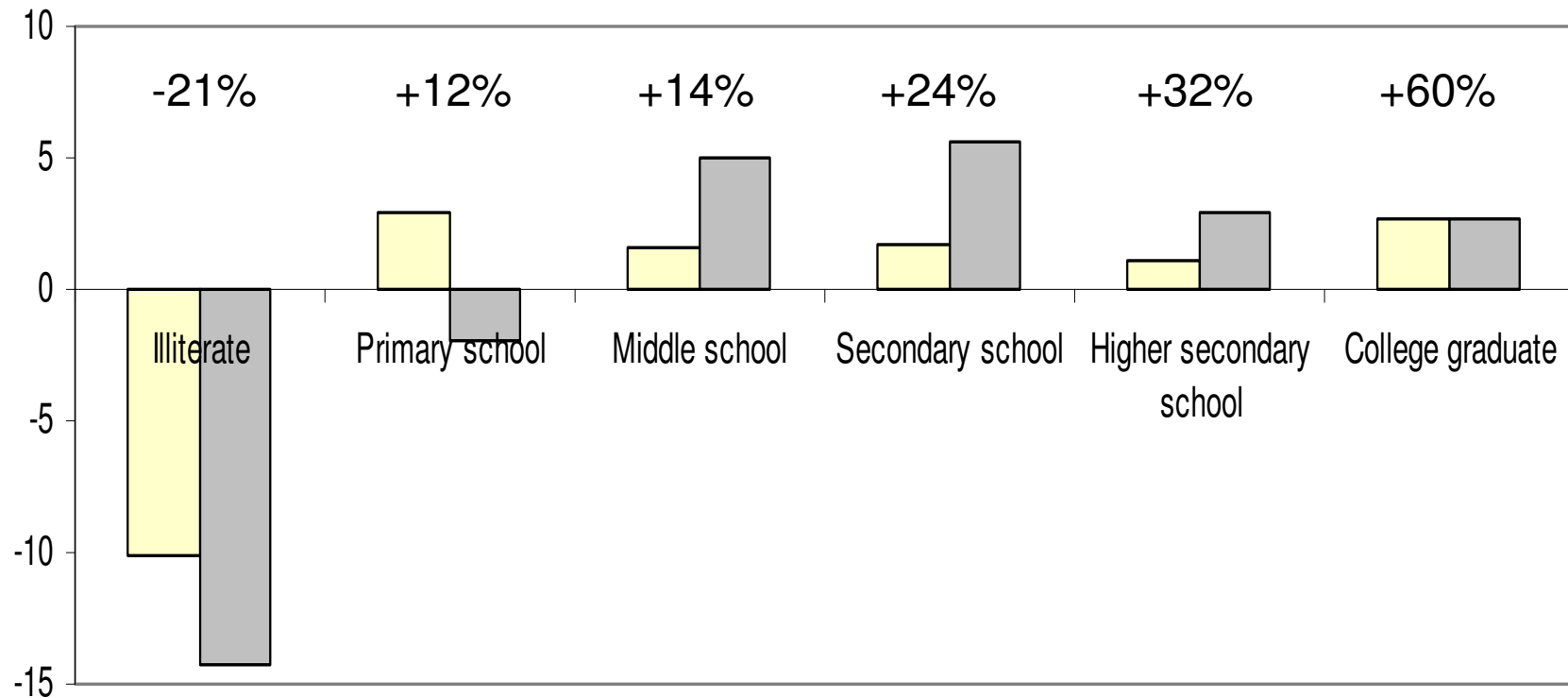
Effects of HD on trade: export mix



Effects of trade on HD: theory

- Lower barriers alter output structures, which alters demands for labour of differing skill
- Patterns vary among developing countries: relative abundance tends to help less-skilled; land-link and new technology may offset
- Immediate impact on income inequality and poverty; up, down, or mixed
- Longer-term impacts on education supplies; probably stronger at higher levels

Effects of trade on HD: India



□ Demand (change in employment shares from table 13)

■ Supply (1988-94 trend in adult population shares extended over 15 years)

Conclusions: HD, trade and growth

- Openness to trade a major cause of growth
- HD affects structure of a country's trade
- But trade structure a minor cause of growth (in my opinion – others disagree)
- HD adds to growth mainly in other ways
- Changes in openness to trade affect HD – in ways that can pose hard policy choices
- But other sorts of policy are more important than trade policy for the progress of HD