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This paper provides evidence of positive externalities in human capital that help to explain divergences in development worldwide. We estimate the supply and demand for human capital using a five-year panel involving 60 countries and covering the period 1980-2000, and found that there exist positive externalities in human capital accumulation close to one. This translates into increasing returns to scale and increasing marginal returns in human capital. Keywords: Economic growth, human capital, externalities.

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