Abstract

This paper analyzes a model of economic growth that explains differences in economic structure across countries. It highlights the interplay between productivity, talents utilization and entrepreneurship incentives. The paper has two main results. First, it argues that when measuring human capital we ignore one dimension, which is "*talents utilization*". It is suggested then that, in development accounting, human capital is inaccurately measured. Second, it shows that the magnitude of talents utilization increases with the level of development. Thus, the paper suggests that talents utilization amplifies differences in productivity and contributes to the explanation of large observed international differences in per capita income.