

Efficient Subsidization of Human Capital Accumulation with OLG and Endogenous Growth: A comment

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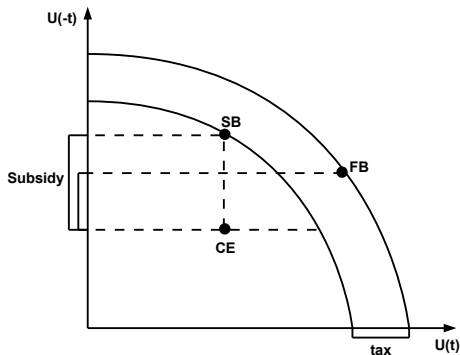
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Theoretical point (Selfish individuals)

In presence of a nonconvexity in the human capital investment function, SB subsidization of education is higher than FB.



Important to investigate existence and unicity of interior solutions.

- ▶ would characterize relative positions of FB and SB.

Theoretical point (Altruistic individuals)

If you have to distort something, distort the first generation.

- ▶ Similar conclusion in Lucas and Stokey (1983).
- ▶ The Ramsey planner is the Stackelberg-leader in a game where the agents are Stackelberg-followers.
- ▶ Who is the least distortable agent? The first, since the endowment she receives is not the product of the optimal choice of the previous generations.

Altruistic motive is separable from consumption and leisure.

- ▶ individual within-period choices are path-independent.

Empirical Evidence

The elasticity of the investment function must be increasing in E to justify subsidization. Any evidence?

Large cross-country variety of effective rates of subsidization.

- ▶ Do negative values mean that the efficient wedge between social cost and social benefit is negative?
- ▶ Is there a correlation with the level of human capital?