

Endogenous Growth and the Public-Private Education Choice

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An endogenous growth model of human capital accumulation with a private alternative to public education is studied. Public education is tax financed and determined endogenously through the majority voting mechanism. The effects of a voucher system for consumers choosing private education are studied. Political-economic equilibria are characterised and studied using numerical techniques. In a model calibrated to US data, a class structure is found to evolve endogenously due to a nonconvexity in the education process. The wealthy upper class benefits from long run growth. The poor benefit from this long run growth through spillovers facilitated by public education. Despite the class structure that evolves, inequality declines and both classes experience levels of income and growth unattainable in a mandatory public education system where the wealthy could not leave the public education system.

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