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Tetsuo Ono, Yuki Uchida

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Human Capital, Public Debt, and Economic Growth: A Political Economy Analysis*

TETSUO ONO[†]
Osaka University

YUKI UCHIDA[‡]
Seikei University

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Abstract

This study considers the politics of public education policy in an overlapping-generations model with physical and human capital accumulation. In particular, this study examines how debt and tax financing differ in terms of growth and welfare across generations, as well as which fiscal stance voters support. The analysis shows that the growth rate in debt financing is lower than that in tax financing, and that debt financing creates a tradeoff between the present and future generations. The analysis also shows that debt financing attains slower economic growth than that realized by the choice of a social planner who cares about the welfare of all generations.

- Keywords: Economic growth, Human capital, Public debt, Political equilibrium
- JEL Classification: D70, E24, H63,

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[†]Tetsuo Ono: Graduate School of Economics, Osaka University, 1-7, Machikaneyama, Toyonaka, Osaka 560-0043, Japan. E-mail: tono@econ.osaka-u.ac.jp.

[‡]Yuki Uchida: Faculty of Economics, Seikei University, 3-3-1 Kichijoji-Kitamachi, Musashino, Tokyo 180-8633, Japan. E-mail: yuchida@econ.seikei-u.ac.jp.

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