

Accepted Manuscript

Does Expansion of Higher Education Lead to Trickle-Down Growth?

Sebastian Böhm, Volker Grossmann, Thomas M. Steger

PII: S0047-2727(15)00168-1
DOI: doi: [10.1016/j.jpubeco.2015.09.011](https://doi.org/10.1016/j.jpubeco.2015.09.011)
Reference: PUBEC 3619

To appear in: *Journal of Public Economics*

Received date: 5 October 2014
Revised date: 14 September 2015
Accepted date: 30 September 2015



Please cite this article as: Böhm, Sebastian, Grossmann, Volker, Steger, Thomas M., Does Expansion of Higher Education Lead to Trickle-Down Growth?, *Journal of Public Economics* (2015), doi: [10.1016/j.jpubeco.2015.09.011](https://doi.org/10.1016/j.jpubeco.2015.09.011)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Does Expansion of Higher Education Lead to Trickle-Down Growth?*

Sebastian Böhm[†], Volker Grossmann[‡], and Thomas M. Steger[§]

September 11, 2015

Abstract

The paper revisits the debate on trickle-down growth in view of the widely discussed changes in the distribution of earnings and income that followed a massive expansion of higher education. We propose a dynamic general equilibrium model to dynamically evaluate whether economic growth triggered by an increase in public education expenditure on behalf of those with high learning ability eventually trickles down to low-ability workers and serves them better than redistribution through labor income taxation or education policies targeted to the low-skilled. Our results suggest that promoting higher education implies that low-skilled workers first lose in terms of consumption and income but eventually gain. Policies that aim at expanding the skills of low-ability workers make them better off only moderately because of adverse general equilibrium effects. Low-ability workers typically benefit most from redistribution.

Key words: Directed Technological Change; Publicly Financed Education; Redistributive Transfers; Transitional Dynamics; Trickle-Down Growth.

JEL classification: H20, J31, O30.

* *Acknowledgements:* We are grateful to two anonymous referees as well as to Josef Falkinger, Manuel Oechslin, and Sjak Smulders for extremely helpful comments and suggestions. We also thank seminar participants at Tilburg University, the Leipzig University, the Humboldt University of Berlin, the "Poverty and Inequality Workshop" 2014 at Free University of Berlin, the "70th Annual Congress of the International Institute of Public Finance (IIPF)" 2014 in Lugano, Annual Congress der Swiss Society of Economics and Statistics 2015 in Basel, 10th IZA/World Bank Conference on Employment and Development: Technological Change and Jobs 2015 in Bonn, the CESifo Area Conference in Public Sector Economics 2015, and particularly Raj Chetty and our discussant Ben Heijdra, for valuable discussions.

[†]University of Fribourg, Department of Economics, Bd. de Pérolles 90, 1700 Fribourg, Switzerland. E-mail: sebastian.boehm@unifr.ch.

[‡]University of Fribourg; CESifo, Munich; Institute for the Study of Labor (IZA), Bonn; Centre for Research and Analysis of Migration (CReAM), University College London. Address: University of Fribourg, Department of Economics, Bd. de Pérolles 90, 1700 Fribourg, Switzerland. E-mail: volker.grossmann@unifr.ch.

[§]University of Leipzig; CESifo, Munich; Halle Institute for Economic Research (IWH). Address: University of Leipzig, Institute for Theoretical Economics, Grimmaische Strasse 12, 04109 Leipzig, Germany, Email: steger@wifa.uni-leipzig.de.

Download English Version:

<https://daneshyari.com/en/article/7369841>

Download Persian Version:

<https://daneshyari.com/article/7369841>

[Daneshyari.com](https://daneshyari.com)