

The Effects of Public Finance System and Public Educational Expenditure on Human Capital Distribution in the Tokai Region: Simulation in a Six-Period Overlapping Generations Model*

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Abstract

We investigate the effects of public finance system and public education expenditure on Tokai region's economic growth in a six-period overlapping generations model with endogenous growth fueled by human capital accumulation.

We examine three prefectures of Aichi, Gifu and Mie of the Tokai region where the recent economic situation and education performance are above the country's average. Our main finding is that, regardless of efficiency of education and amount of public education expenditure, the highest growth rate is achieved in a prefecture where public debt is small. Nevertheless, it is undeniable that the initial level of physical capital and the initial economic growth rate are the determinants of the long-run growth path.

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Keywords: six-period overlapping generations model, macroeconomic simulation, human capital accumulations, public education expenditure

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