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**OPTIMAL EDUCATION SUBSIDY AND TAXES
IN AN ENDOGENOUS GROWTH MODEL
WITH HUMAN CAPITAL**

Maurice MARCHAND¹, Philippe MICHEL²
Oliver PADDISON³ and Pierre PESTIEAU⁴

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Abstract

This paper considers a three-overlapping-generations model of endogenous growth wherein human capital is the engine of growth. It first contrasts the *laissez-faire* and the optimality solutions. Then it discusses alternative sets of tax-transfer instruments that allow for decentralization of the social optimum.

Keywords: endogenous growth, education policy, intergenerational transfers.

¹CORE, Université catholique de Louvain, Belgium.

E-mail: mmarchand@core.ucl.ac.be

²GREQAM, Université d'Aix-Marseille II, France.

³United Nations Economic Commission for Africa (UNECA).

⁴CREPP, Université de Liège and CORE, Université catholique de Louvain, Belgium; DELTA and CEPR. E-mail: p.pestieau@ulg.ac.be

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