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Inequalities, public education expenditures and intergenerational mobility

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Abstract

This paper shows that, depending on the initial distribution of material wealth and that of individuals' abilities, economies converge in the long-run towards different levels of the size of the skilled workforce, and average wealth. Furthermore, unless the income tax rate is too high, the increase in total public funds is associated, in the long-run, with a higher net mobility, a larger fraction of skilled workers, and higher levels of wealth of all the dynasties. In addition, the reallocation of public expenditures from basic to advanced education can result in a lower mobility, a lower long-run size of skilled workforce, and a lower long-run level of wealth held by rich dynasties, if the transfer of resources comes at the expense of excessively lowering the quality of education at the basic schooling level.

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