

Educational Support and Individual Ability with Endogenous Fertility

Abstract

In this paper, we present an OLG simulation model with transmission of individual ability and endogenous fertility in order to capture the effects that strengthening income redistribution, expansion of child benefit, and expansion of educational support have on economic disparity and economic growth.

Our simulation results show that expansion of educational support will achieve a reduction in inequality and maintenance or an increase in economic growth. In addition, the effects of expanded educational support are greater with a stronger correlation between parent and child ability.

On the other hand, our findings show that policies increasing child benefit or expanded minimum income cannot be expected to lead to reduction in inequality or improvement in economic growth.

Keywords: Overlapping generations (OLG); educational support; individual ability; endogenous fertility

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