

Education Investment and Fertility in an Economy with Public and Private Education Systems Coexist*

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Abstract

This paper presents development of a model with co-existing public and private education systems. The households decide how many children to have and how much educational expense is spend per child under a quality–quantity tradeoff of children. We analyze the effects of changes in public education investment on the economy and find the tax rates, each of which maximizes fertility, human capital and utility. Under the economy with low public education investment, a rise in public education investment might be ideal because both human capital and fertility increase. Additionally, results show that behavior of fertility might be non-monotonic.

Keywords: Public and private education, endogenous fertility, human capital

JEL classification: I28 J13 J24

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