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OPTIMUM LEVEL OF INVESTMENT IN EDUCATION: SOME LESSONS FROM AN ENDOGENOUS GROWTH MODEL

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Abstract. Previous results show that, at equilibrium, the common growth rate is independent of the share of resources spent on education. This paper, not only improves and extends these results, but also justifies some other approaches developed. It develops new results concerning the relationship existing between the economic growth and the resource allocated to education by assuming the case of a two sectors endogenous growth model, with the hypothesis that the share of resources spent on education is a control variable. This hypothesis is in perfect accordance with the economic reality. The share of resources spent on education is chosen by governments or by individuals and thus, this quantity cannot be arbitrarily chosen. As a consequence, it has to be a control variable in an optimal program. In this way, the share of resources spent on education, determined from the optimal problem, coincides almost exactly with that of developed countries.

JEL Classification: C61, J22, O41

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