

Human Capital Investment under Quasi-Geometric Discounting

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Abstract

Recent work by Laibson (1997) identifies that individuals are excessively impatient in the short-run, but wish to become more patient over time. It is often argued that such a time-inconsistency problem distorts individuals' savings decisions. The objective of this paper is to study human capital accumulation in the presence of a time-inconsistency problem. In doing so, we explain that many policies put into place to take advantage of the inter-personal benefits from human capital accumulation may also be important for resolving 'intra-personal' planning problems. Our results also shed light on the role of compulsory education.

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