

# Adv. PSE I: Tutorial 03

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November 21, 2012

## 5 International Education as a Commitment Device

In class you discussed the model by Thum and Uebelmesser (2003). Here we will revisit some of the underlying concepts and intuitions of the model. Use the “model on one page” provided on the tutorial’s website.

- a) What strategy do the authors follow to solve the model?
- b) Identify equations that represent assumptions! State each assumption as an English sentence!
- c) Provide an intuition for the effect of each variable in the result obtained for stage 3!
- d) Provide an intuition for the effect of each variable in the result obtained for stage 2!
- e) Provide an intuition for the effect of each variable in the result obtained for stage 1!

## 6 Underprovision of International Education

In class you discussed the model by Poutvaara (2008). Here we will only look at the first stage of the model and revisit the underlying concepts and intuitions. Use the “model on one page” provided on the tutorial’s website.

- a) Identify equations that represent assumptions! State each assumption as an English sentence!
- b) Compare the solution obtained for the regional government with the solution obtained for the federal government (i.e. the social planner). Which factor is missing? Provide an intuitive interpretation for this difference!
- c) Under what condition will the regional government implement a sub-optimal solution? Identify the equation that represents this condition!
- d) Provide an intuition for the effect of each variable in the sub-optimality condition!

## 7 Remedies

In the context of labor mobility international education creates a policy externality. In the last part of the tutorial we will consider approaches to internalize the externality. We will go through the lecture slides (pp. 55–61). Here are some questions as a guide to what you are expected to understand:

- a) Name the two opposing approaches regarding the taxation of migrants!
- b) What are the comparative advantages of each approach?
- c) Name the approach that seeks the middle way!
- d) What is its basic intuition?

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