Comments and Discussions

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This paper investigates the possibilities for strong transfer paradox in an overlapping generations model developed by Galor and Polemarchakis (1987).

Though this paper is a bit short, it can show how the strong transfer paradox occurs in an overlapping generations model in a compact fashion. Galor and Polemarchakis (1987) itself pointed out that there should arise strong transfer paradox ‘away from the golden rule’ when between two countries international transfers are carried out permanently. Following this study, Haaparanta (1989) presented a model where strong transfer paradox can arise even through a temporary transfer, if government issues bonds. In this study, however, Haaparanta mentioned that ”Galor and Polemarchakis... show that the transfer paradox... can, in the steady state, arise only if the capital stock is larger than the golden rule level.” Therefore, this paper tried to show how the strong transfer paradox occurs in a dynamically efficient region, or ‘under the golden rule.’

The mathematical proof as well as graphical explanation is so simple that we can understand the mechanism of the occurrence of transfer paradoxes. Though some static models have been able to present graphical explanation, there is no study of dynamic framework, as far as I know. In this sense, we can acknowledge the contribution of this paper.

In fact, this study should be extended to several ways: for example, to introduce imperfect competition, to treat multi-country, and to incorporate two-sector framework.

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