A Bridge to (In)Equality: The Distributional Effects of Investing in Infrastructure

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Effect of public investment in infrastructure on economic growth important through a number of potential channels

- Commuting time and transportation costs
- Access to markets, health and education facilities
- Improvement of production processes
- More indirect effects on issues like HIV prevalence, conflict
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Gibson and Rioja (2014) look at effect on wealth distribution
- a priori ambiguous
- Find calibrated incomplete markets model using Mexican data leads to a reduction of wealth inequality regardless of the financing source
- Tax on interest income less cost-effective than consumption tax or labor income tax sources
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How do we think of \( \theta \) (labor productivity state variable) intuitively?
- More variation in transition matrix than may have expected
- Health shocks? Agricultural/seasonal shocks?
Mexico unusual case of a developing country in terms of labor-market structure

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Comments

- Mexico unusual case of a developing country in terms of labor-market structure
  
  - How do we think about external validity?
  - How would different types of informality affect the results?

- Economic intuition/explanation for some of the chosen values
  
  - Why is depreciation rate of public infrastructure lower than that of private capital?
  - Robustness checks