

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

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# Introduction and Summary

- 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?

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