

The indirect impact of indirect  
taxes and subsidies:  
Data run-through and exercise



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# Overview

- Household side: mapping survey to Input/Output sectors
- Input/Output matrix: creating “Leontief” coefficients
- Running policy counterfactuals in Stata
- Applying price counterfactuals to mapped household data

# Household Expenditures to I/O map

- Can't save time here: go through expenditure items one by one and generate a map to I/O sectors.
- No single mapping error will affect results:
  - indeterminate items – are bakery items “Grains & Legumes” or “Mill products” or “Food” or “Prepared Food” –likely make only marginal contributions to sector budget shares.
  - As long as an item is mapped to some sector, it will “count” when economy-wide price changes are applied across economy-wide expenditures.

# Creating technology coefficients

- For each sector, divide every input value by total output in the sector.
- The “Leontief” coefficients ( $a_{ij}$ ) created represent the value of each input  $i$  (into sector  $j$ 's production) as a share of total output (or total value added) in sector  $j$ .

# Running Policy Counterfactuals

- Which sectors fixed?
- Which sectors will be capped?
- Which sectors will be free?

# Applying Counterfactual Prices to Household Data

- All programs do it automatically; I deliberately create more copy/paste here for demonstration.

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