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" cofficients (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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