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Date

Le 11 February 2020 De 15:00 à 16:30

Location

Pôle Tertiaire - Site La Rotonde - 26 avenue Léon Blum - 63000 Clermont-Ferrand

Room 214

Research seminar

## The Causal Effect of Infrastructure Investments on Income Inequality: Evidence from US States

avec Emma Hooper et Sanjay Peters

### ABSTRACT

Through utilizing US state-level data at annual frequency from 1976 to 2008, this paper documents a causal effect of infrastructure investments, specifically public spending on highways, on income inequality. The number of seats in the US House of Representatives Committee On Appropriations serves as a valid instrument to identify quasi-random variations in state-level spending on highways. When a given state gains an additional committee member, which is rather exogenous, new federal grants are allocated to that state, resulting in the state government slashing its investment expenditures on highways. In other words, a crowding-out effect of federal funding for state investment in highways is at play. The main contribution of this paper is to show that such committee-driven cuts in spending on highways cause an increase in income inequality within a two-year horizon. In addition, we show that wages paid for construction jobs correlate positively and strongly with spending on highways at the state level. This further provides suggestive evidence that the construction sector plays an important role in the transmission channel from a rise in state spending on highways to a reduction in income inequality.

[Download the paper](#)



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