

Table 1: Welfare Generosity and Wage Inequality

	First stage (reduced form)		IV regressions	
	Generosity	Inequality	Generosity	Inequality
	Coef./se	Coef./se	Coef./se	Coef./se
Inequality			-.7045*** (.1374)	
Generosity				-.4738*** (.1268)
Openness (pct GDP)	-.0013 (.0011)	-.0024** (.0006)	-.0029** (.0010)	-.0029*** (.0007)
ln GDP per cap.	.5279*** (.0734)	-.1607** (.0416)	.4260*** (.0693)	.0925 (.0826)
Tertiary education (pct)	.0012 (.0019)	-.0030*** (.0011)	-.0009 (.0016)	-.0024** (.0012)
Union Density (pct)	-.0014 (.0011)	.0030*** (.0006)	.0009 (.0009)	.0024*** (.0006)
Right cabinet [0,1]	-.0324** (.0133)	.0145** (.0075)	-.0219** (.0087)	
Share 65+ pct	.0189*** (.0042)	-.0094*** (.0024)	.0130** (.0042)	
Barg. Coord. [0,1]	.0775* (.0465)	-.0865** (.0263)		-.0582** (.0222)
Conflict (pct)	-.0022*** (.0005)	.0033*** (.0003)		.0022*** (.0005)
p-value country dummies	.0000	.0000	.0000	.0000
p-value year dummies	.0000	.0000	.0002	.0000
Cragg-Donald F-value			67.5	10.3
p-value Hansen J-test			.666	.830
Equality multiplier (m)			1.50	
p-value m lt 1			.037	
No. of obs.		351		351

Dependent variables:  $\ln(\text{Overall Generosity Index})$  and  $\ln(d5/d1)$ . Instruments for wage inequality are bargaining coordination, and share of workers in conflict. Instruments for generosity are right cabinet and percent elderly (65+). IV estimations allow for correlated errors using 3SLS. Statistics from 2nd stage regression (C-D-F and Hansen J) are based on robust standard errors.

# Average annual hours of work

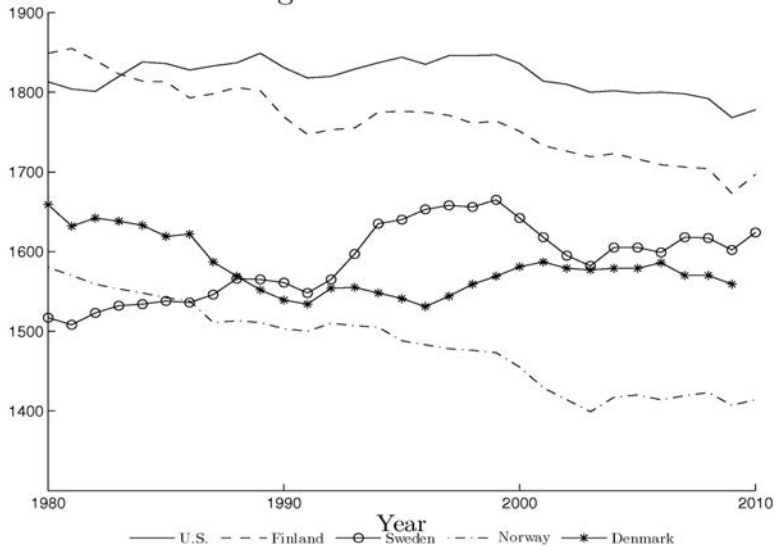


Figure 1: Annual average hours worked. Source: OECD (2010)

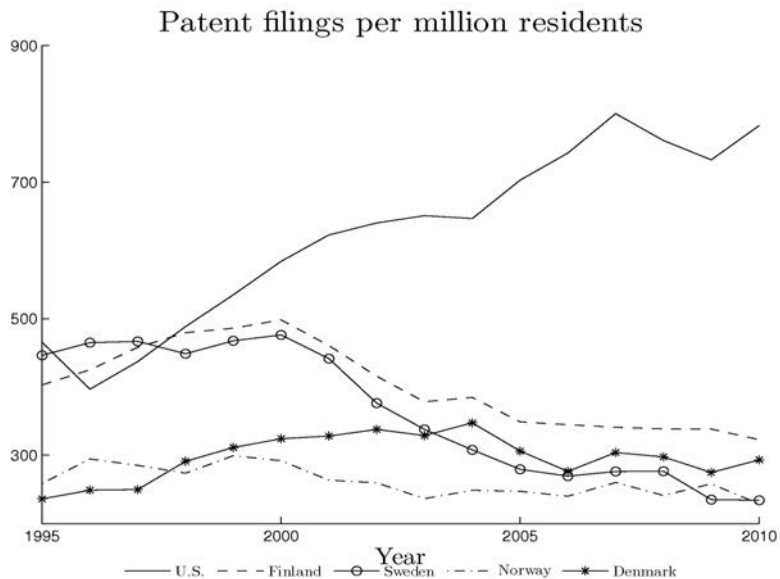


Figure 2: Patent filings per million residents at domestic office. Source: World Intellectual Property Organization.

### Patents per million residents relative to the U.S. (100)

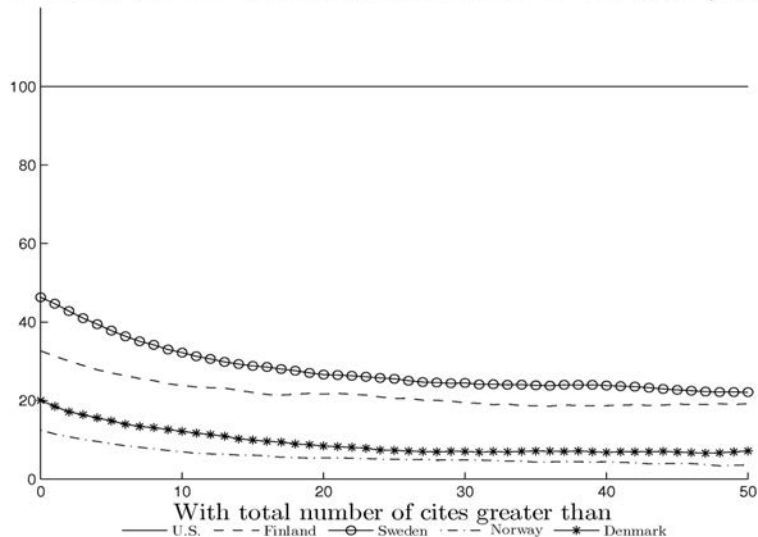


Figure 3: Patents granted between 1980-1999 per million residents to each country relative to the U.S. by number of citations. Source: NBER patent data from the USPTO.

**Table 1** Indicators of innovation activity, 2008

	<b>USA</b>	<b>SWE</b>	<b>DEN</b>	<b>FIN</b>
Triadic patents per million of population	48.7	88.3	60.5	63.9
Business expenditure on R&D, % of GDP	2.01	2.78	1.91	2.77
Researchers per 1000 of employed	9.5	10.6	10.5	16.2
Venture Capital, % of GDP	0.12	0.21	0.16	0.24
Worker reallocation, 2000–2007, %	43.3	32	45.5	39.8

Sources : Worker reallocation from Bassanini and Garnero (2012), other statistics from OECD (2010).