

Web Appendix

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"Institutions, Wealth, and Inequality"

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This appendix includes:

1. A list of data definitions and sources
2. Figures referred to in the chapter

Data Definitions and Sources

Cooperation-promoting institutions: firm-level cooperation measure. Average of cooperation scores in four spheres: (1) relations among firms and suppliers; (2) relations among competing firms; (3) relations among workers; (4) relations among functional departments within firms. Average for 1973-1994. Source: Hicks and Kenworthy (1998, table 3, pp. 1642-43).

Cooperation-promoting institutions: full cooperation measure. Average of cooperation scores in nine spheres: (1) relations among firms across industries; (2) relations among unions; (3) relations between the state and interest groups; (4) relations among firms and investors; (5) relations among firms and suppliers; (6) relations among competing firms; (7) relations between labor and management; (8) relations among workers; (9) relations among functional departments within firms. Average for 1973-1994. Source: Hicks and Kenworthy (1998, table 3, pp. 1642-43).

Corporatist concertation: Siaroff measure. Composite index of 23 corporatism measures. Time-invariant. Source: Siaroff (1999).

Corporatist concertation: union participation in policy making. Union participation in the policy-making process exclusive of wage setting. Average for 1973-1996. Source: Traxler, Blaschke, and Kittel (2001, pp. 312, 76, variable: UAP).

Ease of starting a business, hiring and firing employees, and reaping the rewards of innovation: ease of doing business measure. Each country is scored in five areas: (1) the cost of starting a business (% of income per capita); (2) the cost of registering property; (3) the difficulty of hiring employees (index); (4) the difficulty of firing employees (index); (5) the cost of enforcing contracts (% of debt). These scores are aggregated to form an index, which is rescaled to vary from zero to one. Measured as of 2005. Source: World Bank (2008).

Ease of starting a business, hiring and firing employees, and reaping the rewards of innovation: product market regulations measure. Index representing regulatory impediments to competition in seven industries: gas, electricity, post, telecommunications, passenger air transportation, rail transportation (freight and passenger), and road freight. Range is 0 to 6, with higher scores indicating greater strictness. Average over 1982-2003. Source: Bassanini and Duval (2006).

Economic growth. Average annual rate of change in inflation-adjusted gross domestic product per person. Source: Author's calculations from data in OECD (2009).

Economic growth: catchup-adjusted. Residuals from a regression of economic growth over a period on GDP per capita in the initial year of the period. Source: Author's calculations.

GDP per capita. Gross domestic product per person, in 2000 U.S. dollars, with currencies converted using purchasing power parities. Source: OECD (2009).

Imports. Imports as a share of gross domestic product. Source: Author's calculations from data in OECD (2009).

Inequality: earnings inequality across employed individuals. Ratio of pretax earnings of a person at the 90th percentile of the earnings distribution to a person at the 10th percentile. Annual earnings for Canada, Finland, France (posttax), the Netherlands, and Sweden. Monthly earnings for Germany and Italy. Weekly earnings for Australia, the United Kingdom, and the United States. Hourly earnings for Denmark and Norway. Source: Author's calculations from data in OECD (2009).

Inequality: top 1%'s share of pretax income. Share of total pretax income (excluding capital gains) going to the top 1% of taxpayers. Source: Leigh (2007).

Institutional coherence: Hall-Gingerich measure. "Linearized" version of the Hall-Gingerich coordination index. Calculated as: (absolute value of [.50 minus the Hall-Gingerich coordination index score]) divided by .50. Ranges from zero to one. The Hall-Gingerich coordination index consists of factor scores, adjusted to vary from zero to one, from a factor analysis of six indicators measured as of the early to mid-1990s (see the text). Source: Kenworthy (2006, table 2).

Institutional coherence: Kenworthy measure. Ranking with three categories. Source: Kenworthy (2006, table 2).

Interest group organization: years of uninterrupted democracy. Number of years since a country became democratic.

Interest group organization: unionization. See "Unionization" below.

Interest group-government coherence. I use the "labor organization index" in Alvarez, Garrett, and Lange (1991, p. 553) to create the union encompassingness component. Countries that score high on the index are Sweden, Norway, Austria, Denmark, Finland, and Belgium. Countries that score low are Japan, France, the United States, and Canada. New Zealand and Switzerland were not included in their scores; I add them to this low-scoring group (see

Kenworthy 2003 for justification). For countries with high union encompassingness, I calculate the number of years from 1973 to 2002 (the latest year for which data are available) in which left party cabinet share was 50% or more. For countries with low encompassingness, I calculate the number of years in which right party cabinet share exceeded 50%. In other words, the measure is a count of the number of years in a country in which there were strong unions with left government or weak unions with right government. Higher scores reflect more interest group-government coherence.

Left government: cumulative left cabinet share. Cumulative share of cabinet seats held by parties of the left since 1960. Source: Huber et al. (2004, variable: LTCABCUM).

Left government: left cabinet share. Share of cabinet seats held by parties of the left. Average for 1973-2002. Source: Swank (2008, variable: LEFTC).

Left government: legislative center of gravity. Political center of gravity of the legislature. Higher scores indicate a stronger left presence. Average for 1973-1997. Source: Cusack (2002).

National wealth performance. An index that combines 2007 GDP per capita and catchup-adjusted economic growth over 1973-2007. I rank the countries on each of these two measures, then average each country's ranking, then rescale the average rankings to vary between zero and one. Higher scores indicate better national wealth performance over the 1973-2007 period.

Real long-term interest rates. Long-term nominal interest rate (yield on long-term government bonds) minus current rate of inflation. Source: Author's calculations from interest rate data in IMF (n.d.) and OECD (2009) and inflation data in OECD (2009).

Redistribution: decommodification. Index capturing eligibility criteria, payment level, and duration of pension, unemployment, and sickness benefits. Source: Scruggs (2005).

State guidance: dichotomous measure. Coded one for Japan and France, zero for all other countries.

State guidance: Wilensky-Turner industrial policy ranking. Ranking of eight countries on degree of industrial policy intervention. Source: Wilensky and Turner (1987, p. 32).

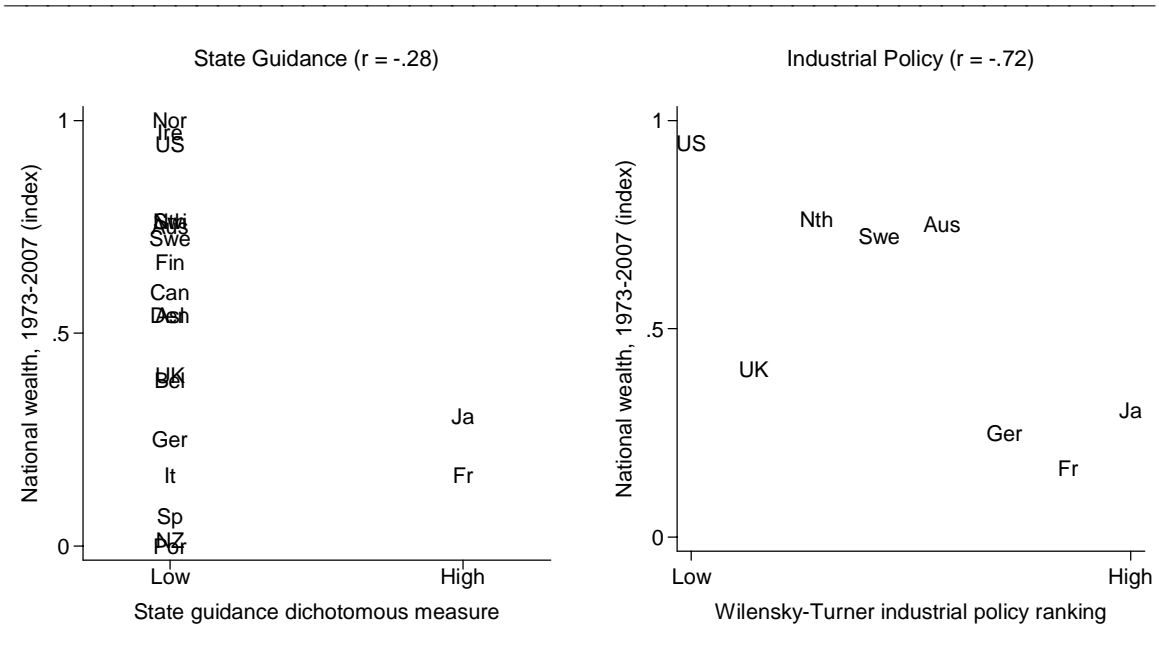
Unionization. Employed union members (excluding self-employed, unemployed, students, and retirees) as a share of employed wage and salary earners. Source: Visser (2008, variable: UD).

Wage-bargaining centralization. The dominant level(s) at which wage bargaining takes place: 5 = national or central level; 4 = national or central level,

with additional sectoral/local or company bargaining; 3 = sectoral or industry level; 2 = sectoral or industry level, with additional local or company bargaining; 1 = local or company bargaining. Source: Visser (2008, variable: LEVEL).

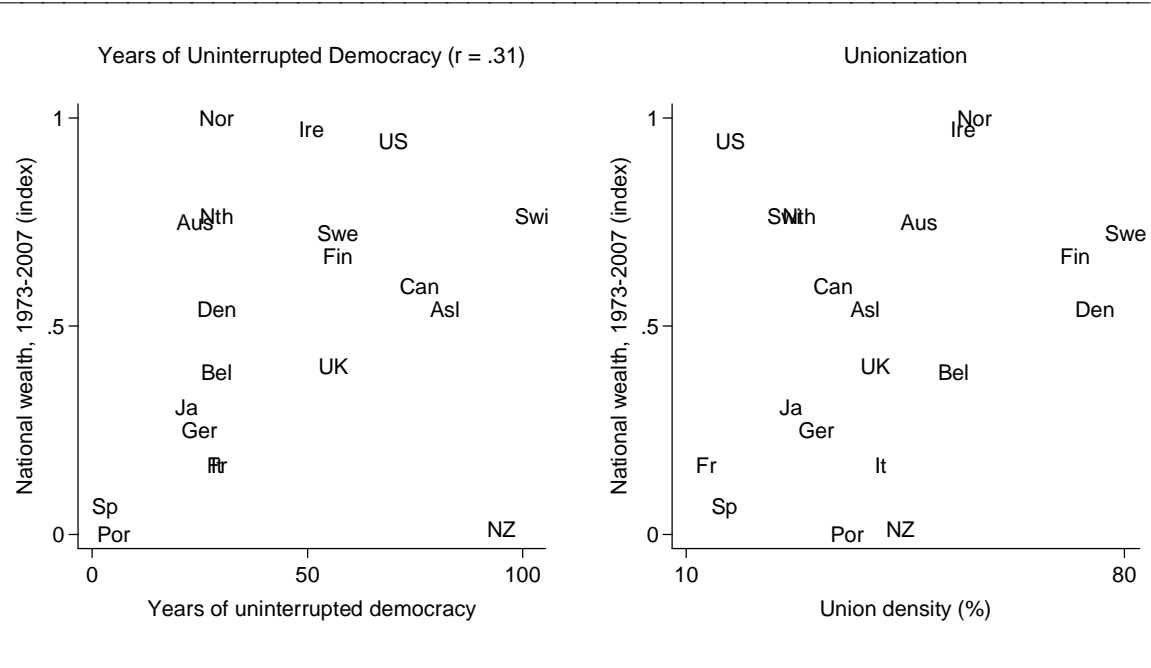
Figures

Figure A1. National Wealth Performance by State Guidance



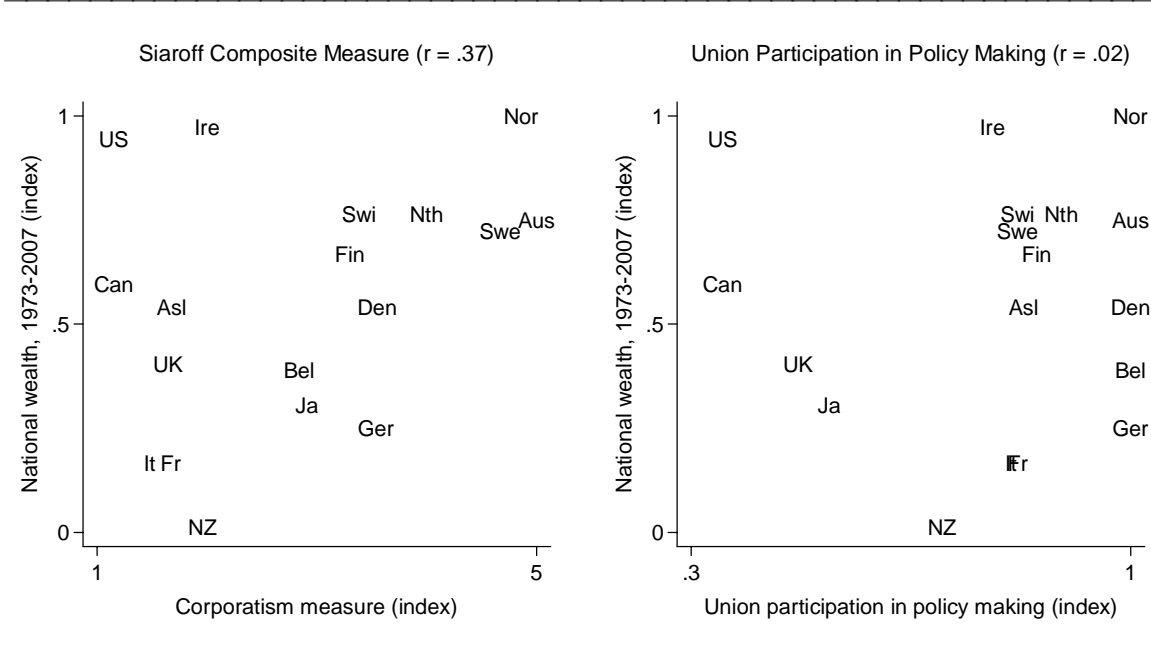
Note: The association is expected to be positive in both charts. Countries missing due to lack of data: none in the first chart; twelve in the second chart. For data definitions and sources, see the web appendix.

Figure A2. National Wealth Performance by Interest Group Organization



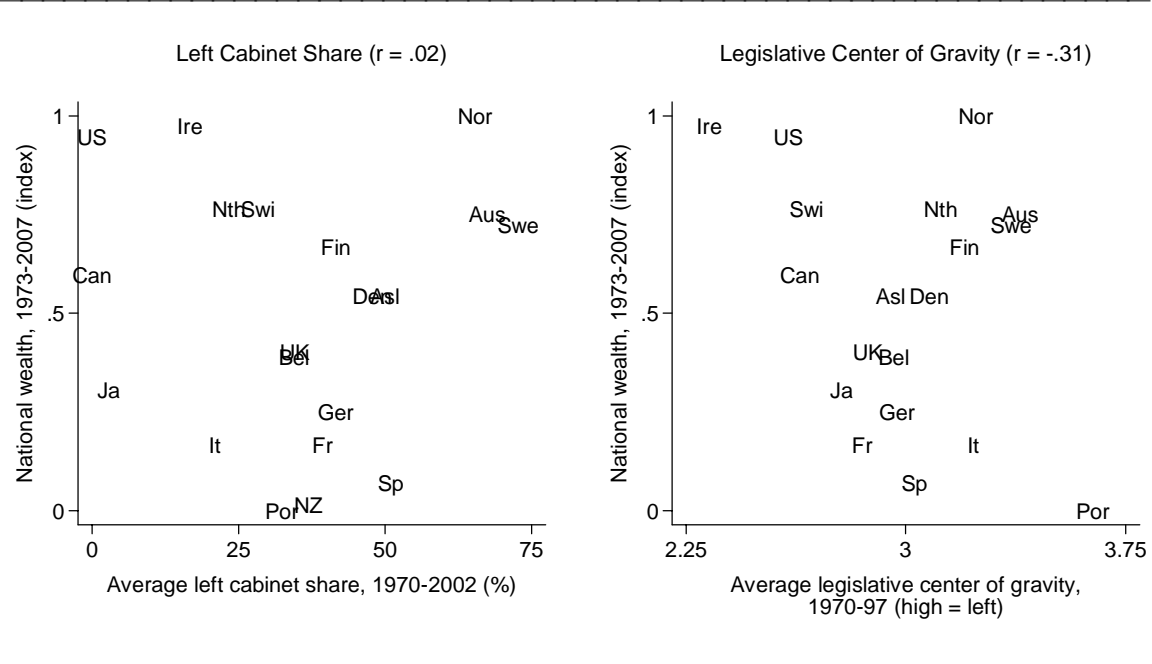
Note: Horizontal axis of the second chart is truncated. In the first chart the association is expected to be negative; in the second it is expected to be U-shaped. Countries missing due to lack of data: none in the first chart; Portugal and Spain in the second chart. For data definitions and sources, see the web appendix.

Figure A3. National Wealth Performance by Corporatist Concertation



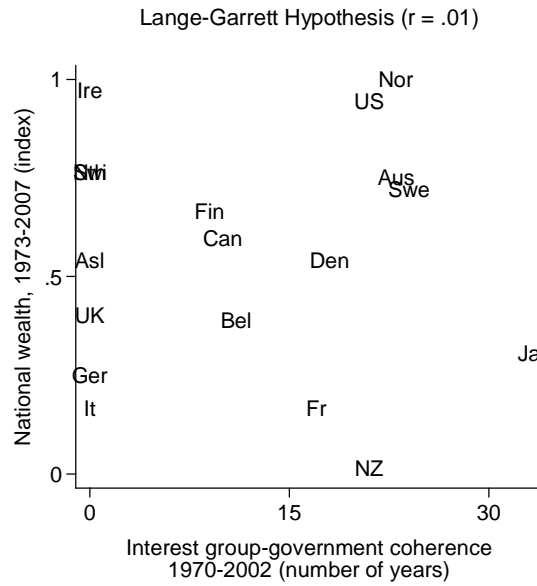
Note: Horizontal axes are truncated. The association is expected to be positive in both charts. Countries missing due to lack of data: Portugal and Spain in both charts. For data definitions and sources, see the web appendix.

Figure A4. National Wealth Performance by Left Government



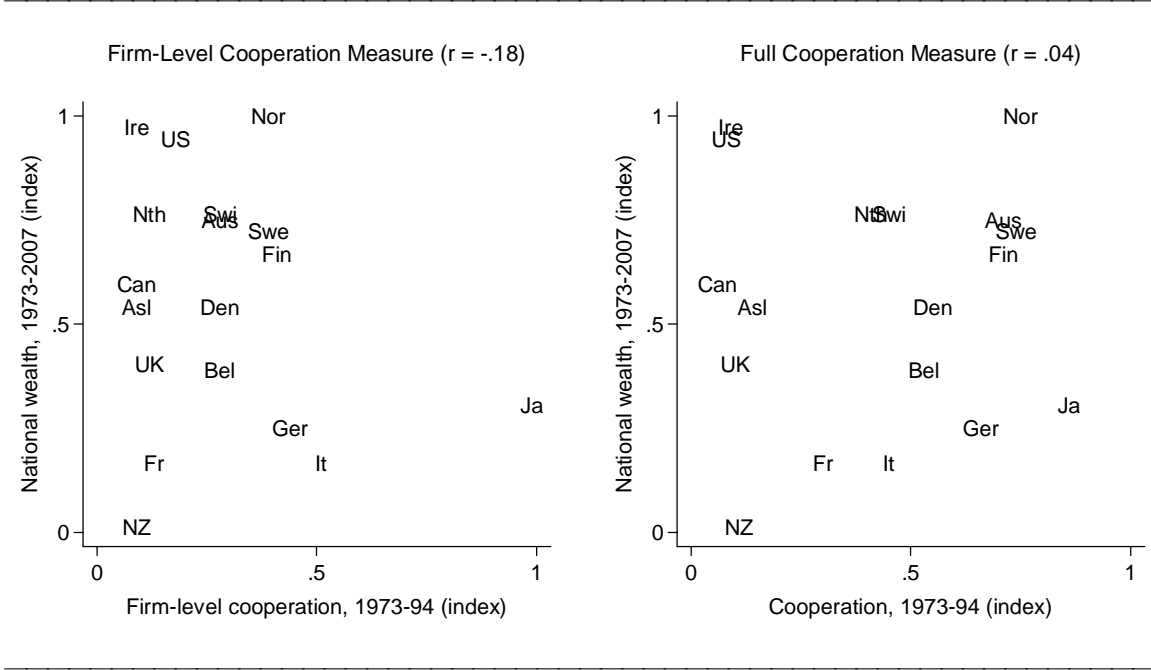
Note: Horizontal axes are truncated. The association is expected to be positive in both charts. Countries missing due to lack of data: Portugal and Spain in the first chart; New Zealand in the second chart. For data definitions and sources, see the web appendix.

Figure A5. National Wealth Performance by Interest Group-Government Coherence



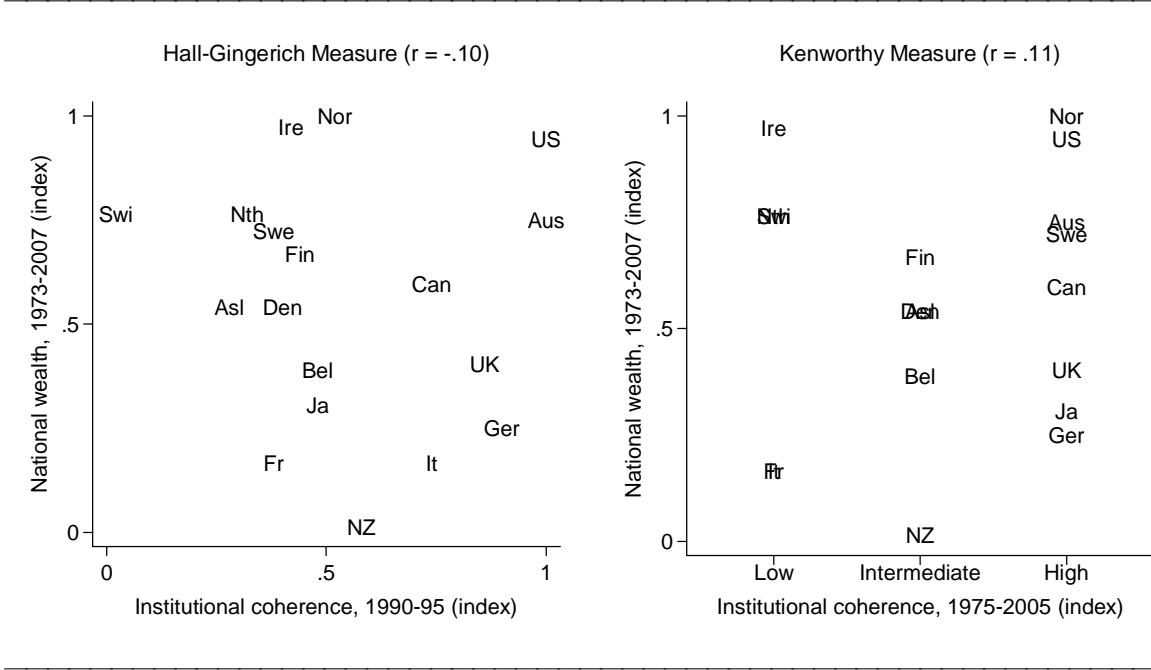
Note: The association is expected to be positive. Countries missing due to lack of data: Portugal and Spain. For data definitions and sources, see the web appendix.

Figure A6. National Wealth Performance by Cooperation-Promoting Institutions



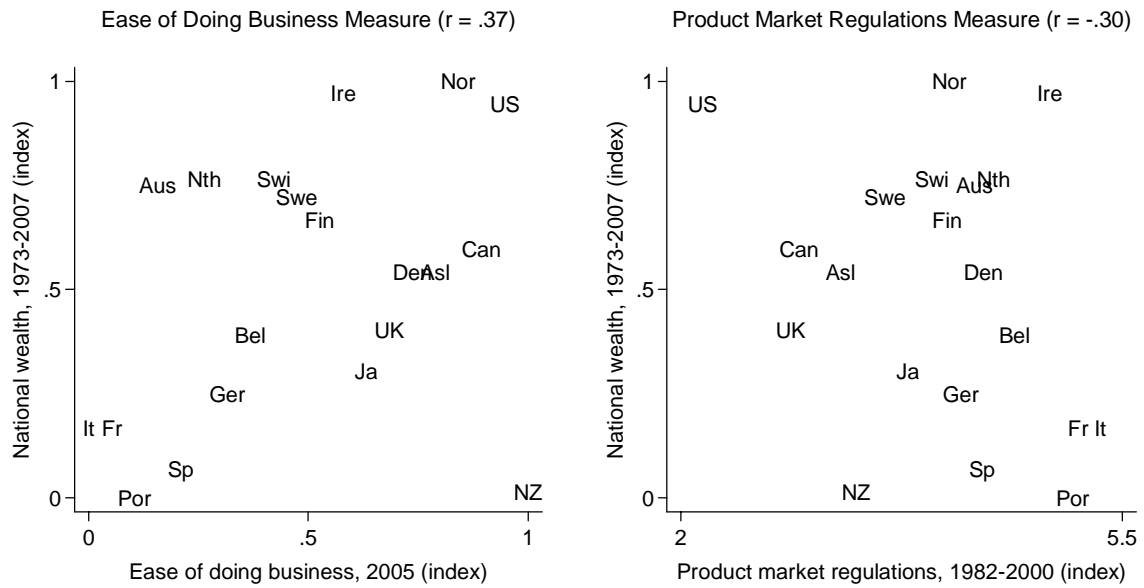
Note: The association is expected to be positive in both charts. Countries missing due to lack of data: Portugal and Spain in both charts. For data definitions and sources, see the web appendix.

Figure A7. National Wealth Performance by Institutional Coherence



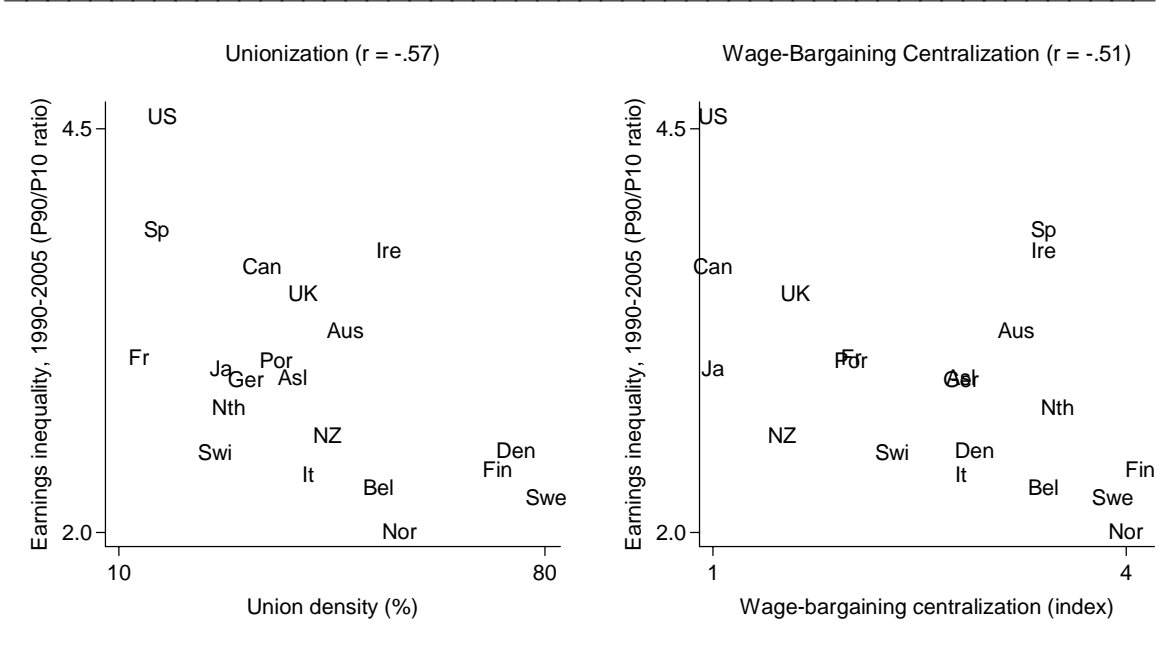
Note: The association is expected to be positive in both charts. Countries missing due to lack of data: Portugal and Spain in both charts. For data definitions and sources, see the web appendix.

Figure A8. National Wealth Performance by Ease of Starting a Business, Hiring and Firing Employees, and Reaping the Rewards of Innovation



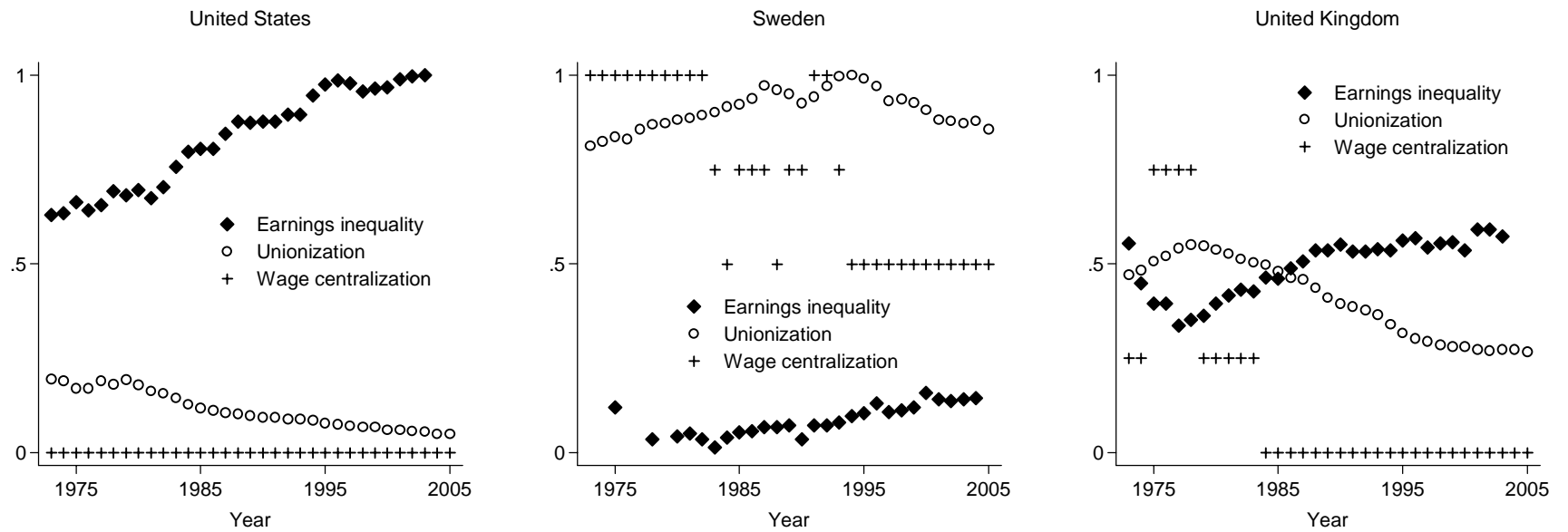
Note: Horizontal axis in the second chart is truncated. The association is expected to be positive in the first chart and negative in the second. Countries missing due to lack of data: none. For data definitions and sources, see the web appendix.

Figure A9. Individual Earnings Inequality, 1990-2005, by Unionization and Wage Centralization



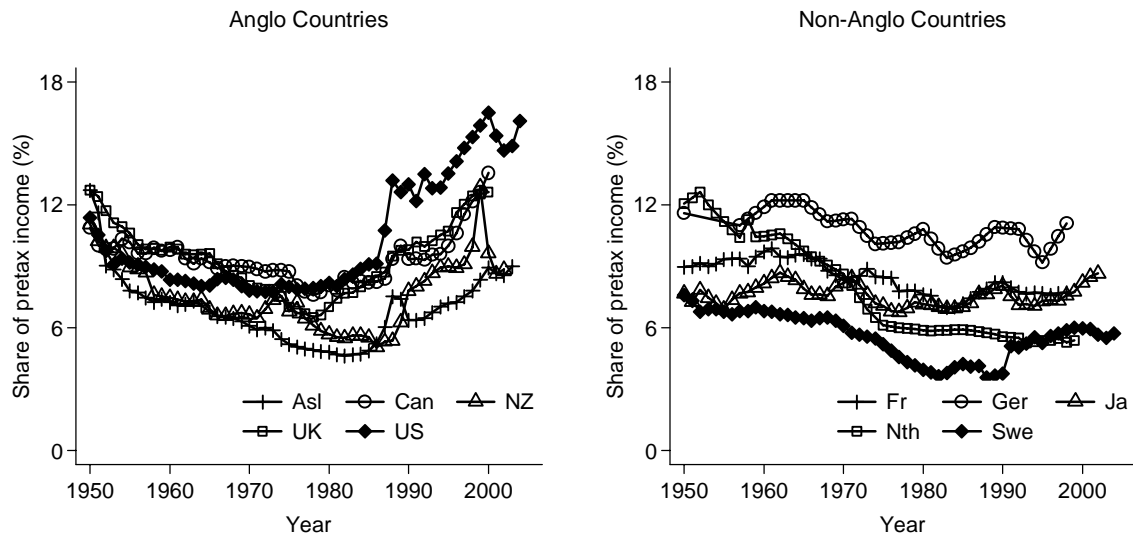
Note: Several of the chart axes are truncated. Earnings inequality averaged over 1990 to 2005 is on the vertical axis in each chart. It is measured as the ratio of weekly, monthly, or annual earnings at the ninetieth percentile of the distribution to earnings at the tenth percentile (P90/P10) ratio. Unionization and wage centralization are averaged over the period 1973 to 2005. Countries missing due to lack of data: none. For data definitions and sources, see the web appendix.

Figure A10. Unionization, Wage Centralization, and Earnings Inequality in Three Countries, 1973-2005



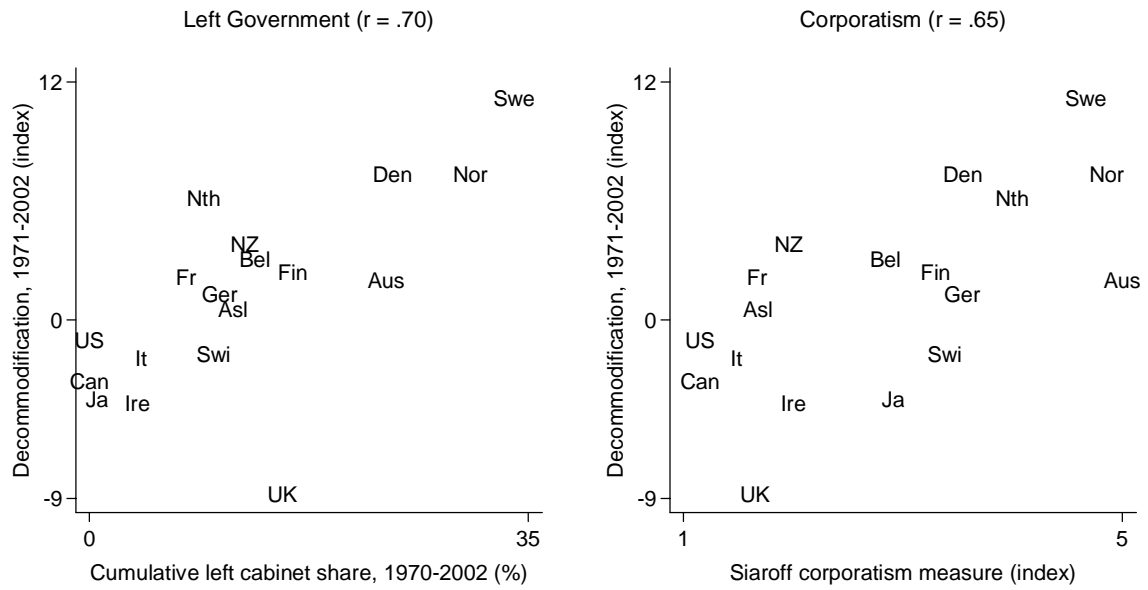
Note: This figure shows unionization, wage centralization, and individual earnings inequality (P90/P10 ratio) since 1973 in three countries with over-time variation in one or both of the hypothesized determinants: the United States, Sweden, and the United Kingdom. Each of the three measures is rescaled to vary between zero and one, using the data for all countries and years. For data definitions and sources, see the appendix.

Figure A11. Top 1%'s Share of Pretax Income (Excluding Capital Gains), 1950ff.



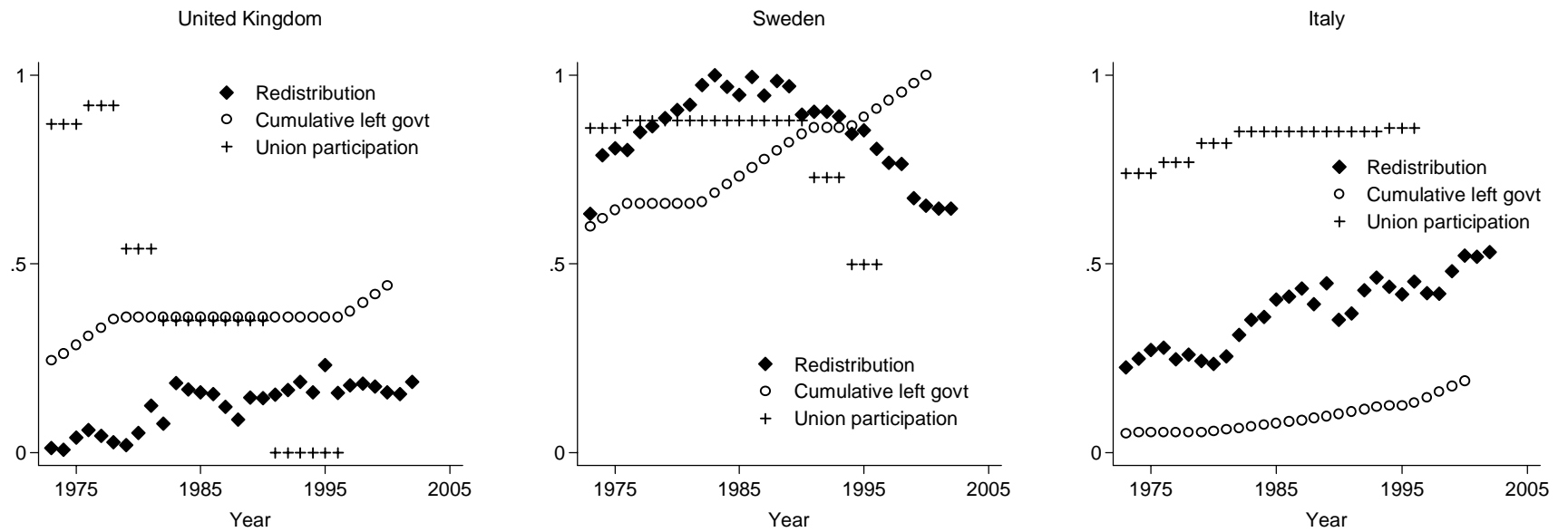
Note: These charts show the share of total pretax income going to the top 1% of taxpayers in ten countries for which reasonably comparable data are available. The data are from Andrew Leigh (2007); they are an extended and slightly adjusted version of data originally compiled by Anthony Atkinson, Thomas Piketty, and others (Atkinson and Piketty 2007a, 2007b). For data definitions and sources, see the web appendix.

Figure A12. Redistribution by Left Government and Corporatism



Note: On the vertical axis in both charts is a measure of "decommodification" — an index capturing eligibility criteria, payment level, and duration of pension, unemployment, and sickness benefits (Scruggs 2005). This is, arguably, a better indicator than the expenditures measures commonly used in comparative research (Esping-Andersen 1990). Left government is measured as the cumulative share of cabinet seats held by left parties since the end of World War 2. Corporatism is measured using the composite Siaroff indicator described in the chapter. Countries missing due to lack of data: Portugal and Spain in both charts. For data definitions and sources, see the web appendix.

Figure A13. Left Government, Corporatist Concertation, and Redistribution in Three Countries, 1973-2005



Note: Corporatism is measured here with an indicator of union participation in policy making from Traxler, Blaschke, and Kittel (2001), because the Sioroff measure is not time-varying. Each of the three measures is rescaled to vary between zero and one, using the data for all countries and years. For data definitions and sources, see the appendix.