Table 1. Illustrative Regressions for Growth of GDP per capita, 1978/80 - 1993/95

	Dependent variable = log-growth over 3 years, so that .01 is a growth rate of about 1% over 3 years.				Dependent variable = log of GDP/capita		
	Equation (1.)		Equation (2.)		Equation (3.)		
Independent variables:	coeff.	|t|	coeff.	|t|	coeff.	|t|	
Shortfall in GDP/capita 10 years earlier	0.028	(1.45)	0.059	(3.87) **			
Log of non-resid. cap. stock, 3 yrs. earlier					0.384	(7.61)	**
Capital formation/capita, one yr. earlier	.0000078	(1.84) a	.000002	(0.55)			
Capital formation/capita, 10 yrs. earlier	.0000003	(0.06)	.000004	(0.72)			
Prim. + sec. enroll'ts/5-14s, 10 yrs. earli	.06324	(2.49) *	.0403	(1.96) a	0.051	(0.91)	
University enroll'ts/5-14s, 10 yrs. earlier	.00087	(0.01)	.0010	(0.01)	1.156	(3.40)	**
Age distribution:							
Populat'n under 15 as a share of total po	-0.00047	(0.21)	-0.0014	(0.63)	-0.015	(2.30)	*
Populat'n over 65 as a share of total pop	0.00039	(0.14)	-0.0009	(0.37)	0.020	(2.64)	*
Aggregate demand and supply, all countries							
Inflation - unemployment, all countries	0.0081	(4.77) **	0.0081	(5.45) **	0.876	(4.71)	**
Inflation + unemployment, all countries	-0.012	(4.64) **	-0.012	(5.66) **	-0.746	(3.22)	**
Government policy (these yield the effects for 1978-1995 on Table 2):							
Corporatism	0.00067	(0.21)	0.00040	(0.21)	-1.747	(1.37)	
Predicted total transfers as % of GDP	0.0033	(0.88)	-0.0016	(0.50)	0.012	(1.41)	
" , squared	-0.00016	(1.60)	0.00001	(0.15)	-0.025	(1.29)	
Predicted personal income tax as % of C	-0.0053	(1.25)					
" , squared	0.00023	(1.47)					
Predicted corporate inc. tax as % of GDI	0.0192	(1.42)					
" , squared	-0.0035	(1.62)					
Predicted property tax as % of GDP	0.033	(2.07) *					
" , squared	-0.010	(2.73) **					
Predicted consumption tax as % of GDP	0.0042	(2.41) *					
" , squared	-0.000081	(2.55) *					
Constant term	0.073	(0.69)	0.220	(2.70)	5.339	(8.91)	
Buse "R sq.," equation F-statistic	.461	4.485	.417	6.728	.792	43.907	
Mean of the dep. variable, std. error of estin	0.063	1.032	0.063	1.006	9.365	1.004	

(** = significant at the 1% level, two-tail; * = significant at the 5% level;
a = significant at the 7% level; b = significant at the 10% level.)

The sample consists of 21 countries for 6 three-year periods from 1978/80 through 1993/95. The countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States.

Each equation is generalized least squares, with country-specific variances. The variables called "predicted" are instrumented values from first-stage regressions on all exogenous variables. The main first-stage determinants of social spending and tax rates are the age distribution, voter turnout rates, average income, religion, ethnic fractionalization, and openness to trade.

Enrollment rates here are per person 5-14, not per 1000 persons 5-14, for the purpose of scaling coefficients.

The full set of fixed effects for 5 time periods and 20 countries was not used in the growth regressions. Including those 25 variables added little insight, and made the whole growth equation only marginally significant.

Sources and notes to Table 2:

(** = significant at the 1% level, two-tail; * = significant at the 5% level;
a = significant at the 7% level; b = significant at the 10% level.)

The sources are those used in *Social Spending,* Appendix D, Appendix Tables D.3 and D.4.

Social transfers exclude spending on public education, just as in other chapters. Expenditures on public housing were apparently excluded from the OECD's 1960-1981 sample. Therefore, for comparability, they are explicitly excluded from the 1978-1995 sample, even though the OECD data separately identify public housing expenditures from 1980 on.

To save space, the table omits a residual column for the 1978-1995 effects of social transfers financed from all other sources of funds different from the four kinds of taxes shown here. The residual column would have shown insignificantly positive effects of social transfers thus funded, for any expansion up to 15% of GDP, which was beyond the maximum use of such sources. These insignificantly positive effects were just under 1 percent of GDP.