Erratum

Nonlinear Taxes in a Life-Cycle Consistent Model of Family Labour Supply

THOMAS ARONSSON AND MAGNUS WIKSTRÖM

Department of Economics, University of Umeå, 901 87 Umeå, Sweden

Because of a programming error, Tables 4.1, 4.2 and 4.3 in our paper (Empirical Economics 19, 1–17) are not correct. The model is

$$\begin{aligned}
 h_m &= \delta_1 + \gamma_1 w_m + \alpha w_f \\
 &\quad + \beta_1 [\mu + \delta_1 w_m + \delta_2 w_f + 0.5(\gamma_1 w_m^2 + \gamma_2 w_f^2 + 2\alpha w_m w_f)] \\
 h_f &= \delta_2 + \gamma_2 w_f + \alpha w_m \\
 &\quad + \beta_2 [\mu + \delta_1 w_m + \delta_2 w_f + 0.5(\gamma_1 w_m^2 + \gamma_2 w_f^2 + 2\alpha w_m w_f)]
 \end{aligned}$$

where $\delta_1 + \delta_{10} + \delta_{11}A(m)$ and $\delta_2 = \delta_{20} + \delta_{21}A(f) + \delta_{22}NC$. $A(j)$ is a dummy variable taking the value one if spouse j is above 55 years of age and zero otherwise while NC is the number of children living at home. This is a slight change in comparison with the original model, which included education in-

Table 4.1. Parameter estimates

Item	Males ($j = 1$)	Coefficient	Females ($j = 2$)
δ_{j0} (constant)	1.554 (68.18)		0.079 (3.17)
$A(j)$	-0.721 (-18.87)		-0.774 (-14.09)
No. of Children			-0.217 (-10.86)
γ_j (Wage)	0.027 (7.92)		0.070 (18.69)
β_j (Income)	$-1.64 \cdot 10^{-5}$ (-0.06)		$-3.62 \cdot 10^{-4}$ (-1.14)
α (Cross Wage)		0.005 (1.74)	

$$\sigma_m = 0.614$$

$$\sigma_f = 0.890$$

$$\sigma_{mf} = 0.012$$

$$\text{Log } L = -4858.149$$

t-values in parenthesis

stead of age. Since both age and education are included in the wage equations (see Appendix), we are not able to control for separate effects of both these variables on the hours of work. Replacing education in the original model with age made it more easy to locate the maximum of the likelihood function.

The qualitative results in terms of the signs of wage and income effects are similar to those reported in the paper. On the other hand, the size of the estimated parameters differ. This is particularly so for income effects and cross-wage effects.

Table 4.2. Elasticities

Item	h_m	Elasticity of	h_f
w_m	0.231		0.072
w_f	0.050		1.300
μ	$-0.18 \cdot 10^{-3}$		-0.007

Table 4.3. Consequences of taxation

Regime	h_m	h_f
Present Case	1925	1062
Post Reform	1933	1078

Note: The hypothetical reform is to decrease the marginal tax rate by one percentage point in each tax bracket.

Appendix

Table A1. Wage equations

Variable	Males	Females
Constant	-15.888 (-1.85)	8.482 (1.72)
Age	1.894 (5.22)	1.008 (4.50)
Age squared	-0.019 (-4.73)	-0.011 (-4.17)
E1	7.163 (2.10)	-2.051 (-1.09)
E2	11.606 (6.36)	1.974 (0.96)
E3	0.454 (0.23)	6.428 (2.96)
R^2 adj.	0.153	0.122

Note: *t*-values are given within parenthesis. The three educational dummy variables E1, E2 and E3 represent, respectively, elementary school, high school and post high school education.