Online Appendix
Chetty, Guren, Manoli, and Weber (2011, AER P&P)

This appendix describes how each of the values in Table 1 are calculated. With the exception of the Frisch aggregate hours macro elasticity, the aggregate hours elasticities are defined as the sums of the intensive and extensive margin elasticities.

Hicksian, extensive margin: The micro estimate is the mean of the estimates in Panel A of Table 1 in Chetty et al. (2011). The macro estimate is computed by taking the mean of 0.13 from Davis and Henrekson (2005), 0.14 from Nickell (2003), and 0.25 from Prescott (2004). The elasticity from Davis and Henrekson is computed using the log difference in employment based on the slope coefficient in Table 3 (bottom panel, Sample C) and the sample means of labor force participation and tax rates in Table 1 for the corresponding sample. The elasticity from Nickell is computed using the average point estimate of 2 percent (reported on page 8) and the sample means of employment rates and tax rates from Tables 1 and 2, respectively. The elasticity from Prescott is calculated by regressing log labor force participation rates from OECD Stat Extracts on log net-of-tax rates using the same sample of countries and years as Prescott. The data on tax rates is taken from Table 2 of Prescott (2004). The data on labor force participation rates are missing for Canada and the U.K. in the 1970s and these observations are therefore excluded. $\Delta \log (1 - \tau)$ is defined as $2 \times SD$ of the change in log net-of-tax rate for the 12 observations with non-missing data on labor force participation rates.

Hicksian, intensive margin: The micro estimate is the preferred minimum-δ estimate using Panels A and B in Table 1 of Chetty (2011). The macro estimate is the mean of the values reported by Davis and Henrekson (2005) and Prescott (2004). The value from Davis and Henrekson (2005) is computed using log differences in annual hours per employed adult based on the slope coefficient in Table 2.3 (middle panel, Sample C) and the sample means of annual hours per employed person and tax rates in Table 2.1 for the corresponding sample. The elasticity estimate can be interpreted as a compensated labor supply elasticity if government expenditure is viewed as unearned income in the aggregate. The value from Prescott (2004) is calculated by regressing log hours per worker on log net-of-tax rates using OECD data reported by Prescott in Table 2 on hours per adult, which are converted to hours per worker using labor force participation rates from OECD Stat Extracts. The data on labor force participation rates are missing for Canada and the U.K. in the 1970s and these observations are therefore excluded. The elasticity estimate can be interpreted as a compensated labor supply elasticity if government expenditure is viewed as unearned income in the aggregate.

Frisch, intensive margin elasticities: the micro estimate is the unweighted mean of 0.70 in Table 2 from Pistaferri (2003) and 0.37 from Bianchi et al. (2001), as reported in Chetty (2011). The macro value in brackets is set equal to the micro estimate.

Frisch, extensive margin: The micro estimate is the mean of the estimates in Panel B of Table 1 in Chetty et al. (2011). The macro value in brackets is computed by subtracting the Frisch micro intensive margin elasticity from the Frisch aggregate hours macro elasticity.

Frisch, aggregate hours macro: the estimate is computed by taking the mean of the aggregate (total hours) elasticities implied by three models of business cycles: (1) Cho and Cooley

(1994): 2.61 from the sum of the intensive and extensive margin elasticities implied by the parameters in Table 2; (2) King and Rebelo (1999): 4 for representative agent RBC models, from page 975, and (3) Smets and Wouters (2007): 1.92 from Table 1A, Posterior Distribution, Mode.