

## Referee Report on:

Axel Hall and Gylfi Zoega (2014). Values and Labor Force Participation in the Nordic Countries. Economics Discussion Papers, No 2014-11, Kiel Institute for the World Economy.  
<http://www.economics-ejournal.org/economics/discussionpapers/2014-11>

This paper shows how labor and consumption tax rates, good predictors of labor supply in the U.S. and France, fail to explain the high levels of labor supply in Nordic countries. This discrepancy between predicted and actual hours worked is argued to be driven by differences in values regarding women's employment in the Nordic countries. These differences in preferences for work are measured using recent waves of the World Values Survey (WVS).

While I think this paper addresses a very interesting question I think it has several significant shortcomings. My primary concern is whether the authors have adequately addressed the potential reverse causality issues with regard to policy driving differences in preferences. The case of Sweden is discussed in detail in Section 4. The authors make the case that the groundwork for the family policies at the heart of the Nordic welfare states were laid in the 1930's. The methodological approach, studying immigrants and second generation immigrants in the WVS from 60 or 70 years later, is convincing with regard to addressing the effects or reverse causality with regard to contemporary policy, but what about the impact of policy from many decades earlier? If the policy shift the authors document was underway many decades earlier how can we be sure that these differences in attitudes toward women's work are not driven by early policy reforms? If the authors want to focus their attention on the Nordics then I think they should address the institutional facts in more detail, and clarify the timeline for the policies which promoted women's work in these countries. With this timeline in place the authors can more forcefully argue that the sample they have selected is not influenced by the policy environment in the Nordics but by pre-existing differences in preferences.

My second concern with the paper lies with the organization and the extended discussion of taxes and labor supply in Section 3. Since most of the points made in this section have already been made elsewhere in the literature why not cite a study that reports these residuals and move on? I think it would be better if you took Ragan (2013) as a benchmark for measuring these labor supply residuals both with and without welfare state policy and then proceeded to the rest of your analysis. I think this discussion distracts from the main point of the paper especially since you have no way to quantify your results in a parallel fashion.

Finally, the origin story of Section 8, while interesting seems like a speculative aside. If the authors want to pursue this I think they should do more than compare country fixed effects. Is there within country variation in religiosity that they could use to see if the extent of protestant religious views affects attitudes toward women's work and in turn women's labor supply? The WVS does disaggregate responses by county. The authors don't use within country variation (except for their brief consideration of Germany) but this seems like another viable approach for strengthening their analysis. While I think the paper is interesting and addresses an important question, to be convincing on this point the authors must do much more.