

Appendix to:

Are higher wages good for business? An assessment under alternative innovation and investment scenarios

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Kriging 3D Plots at different time steps

This document provides the elaboration at different time steps of the plots presented in [Caiani et al. \(2017a\)](#). Both the experiment combining alternative wage and innovation scenarios (section 3 of [Caiani et al. \(2017a\)](#)), and the experiment combining different wage and investment scenarios are displayed. Due to space constraints it was not possible to include these graphs in the manuscript of the paper.

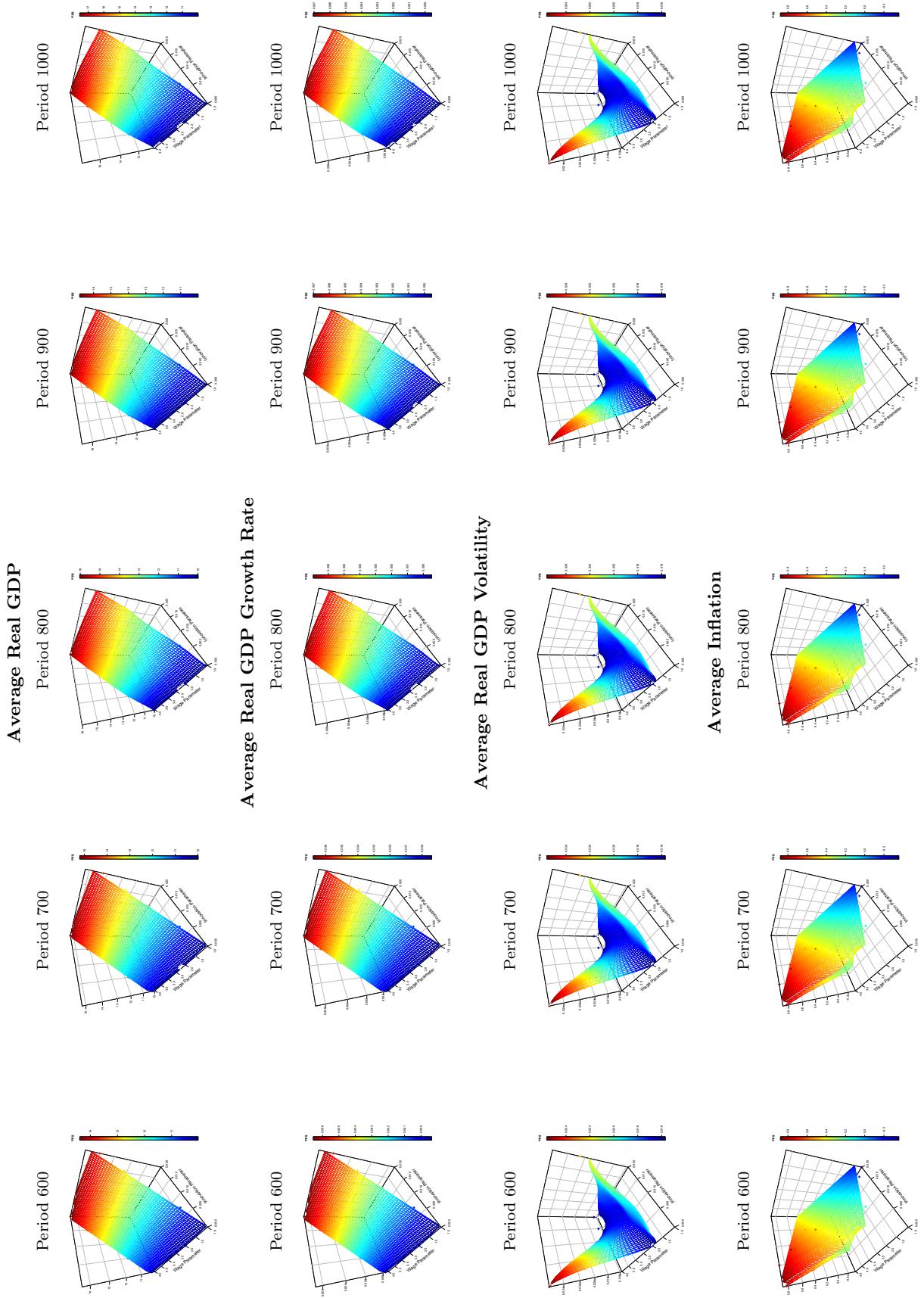
The rationale for presenting these plots is to check the stability of the results discussed in the paper over the simulations time-span, after the model has exited its initial transient phase.

Five time steps are considered: 600, 700, 800, 900, and finally 1000. The latter case coincides with the plots presented in the paper.

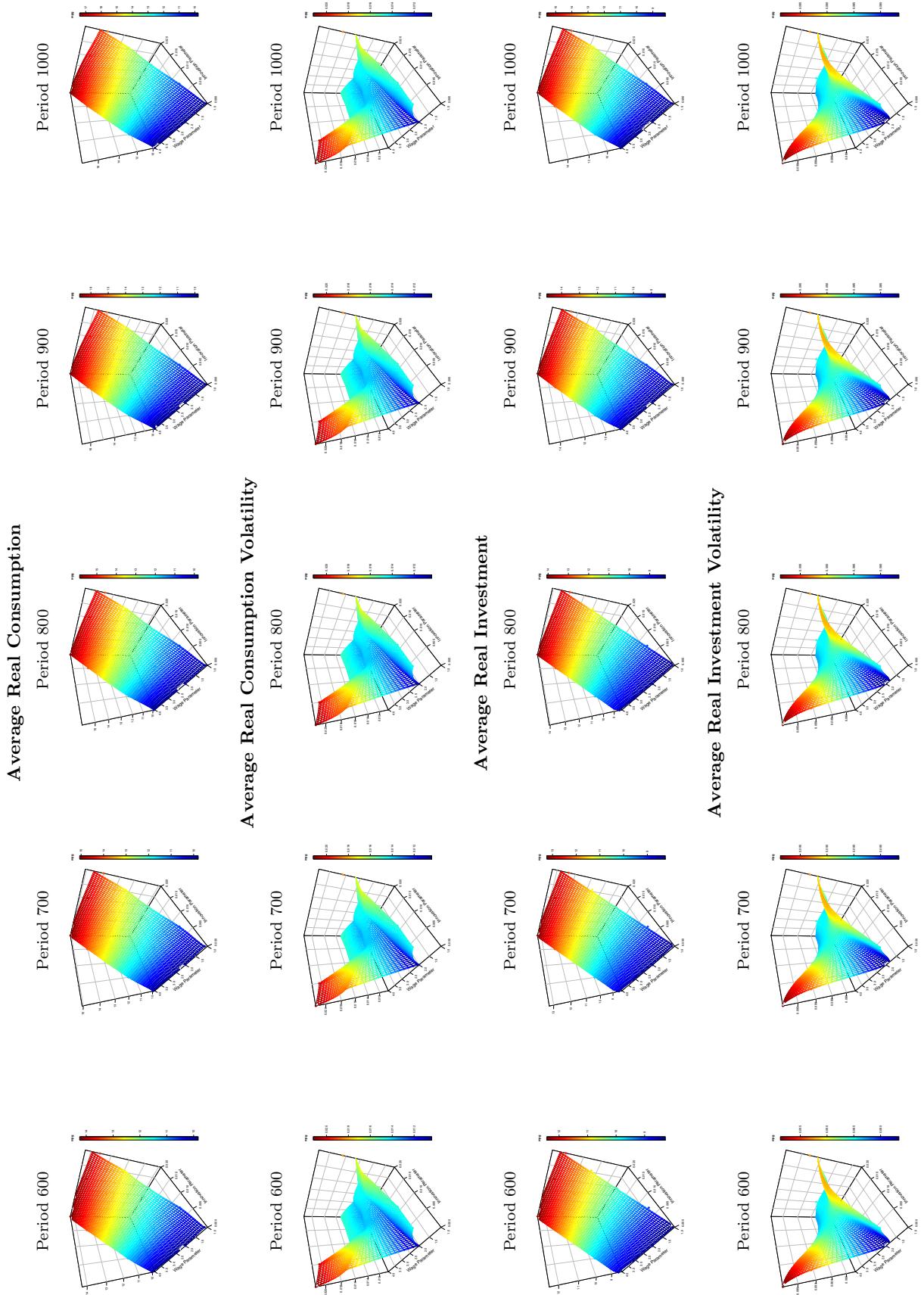
Plots for different variables are quite similar across simulation time-steps, thus suggesting that the properties of the model discussed in the paper are relatively stable over time.

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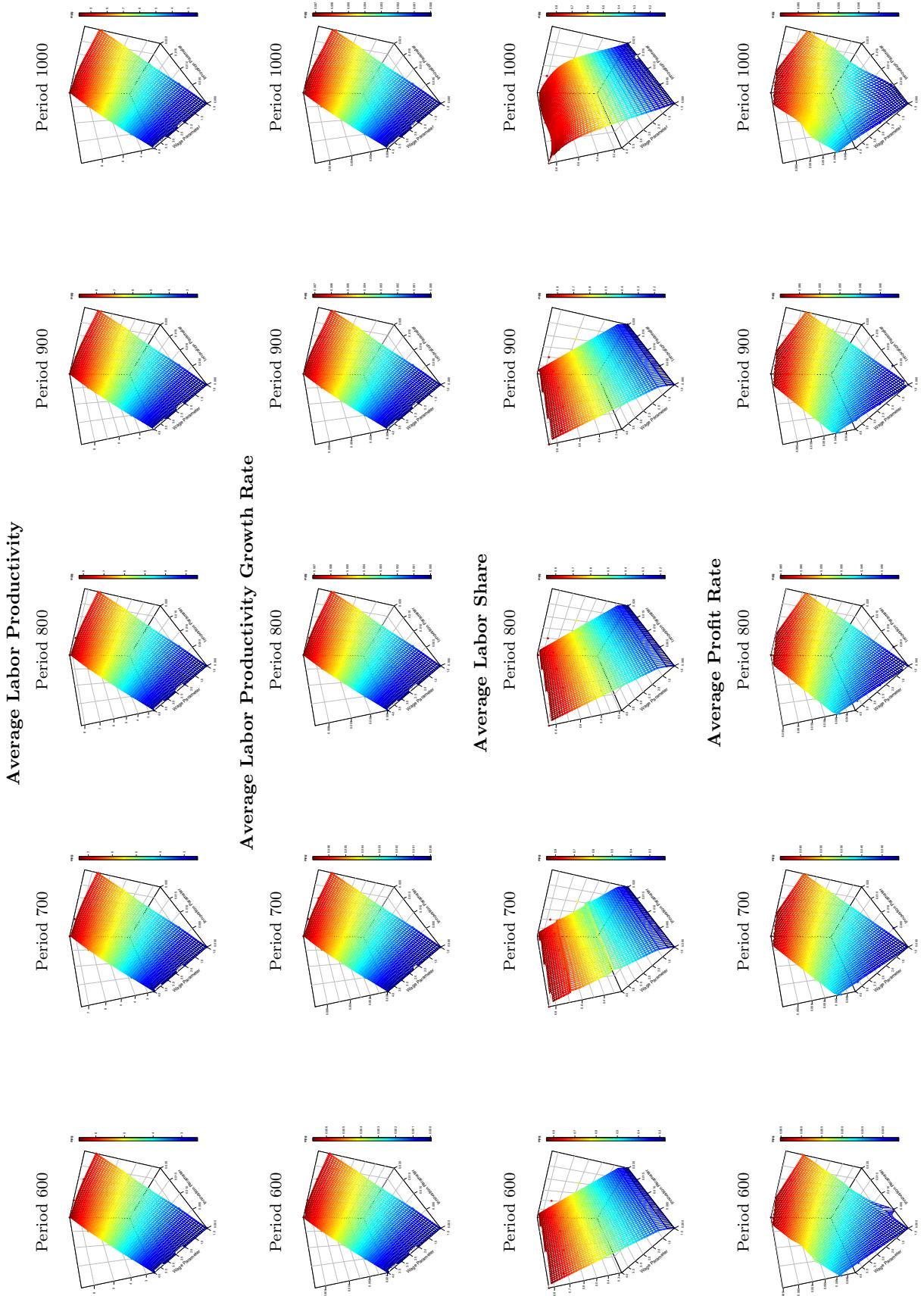
Experiment Innovation-Wages of Caiani et al. (2017a), Section 3



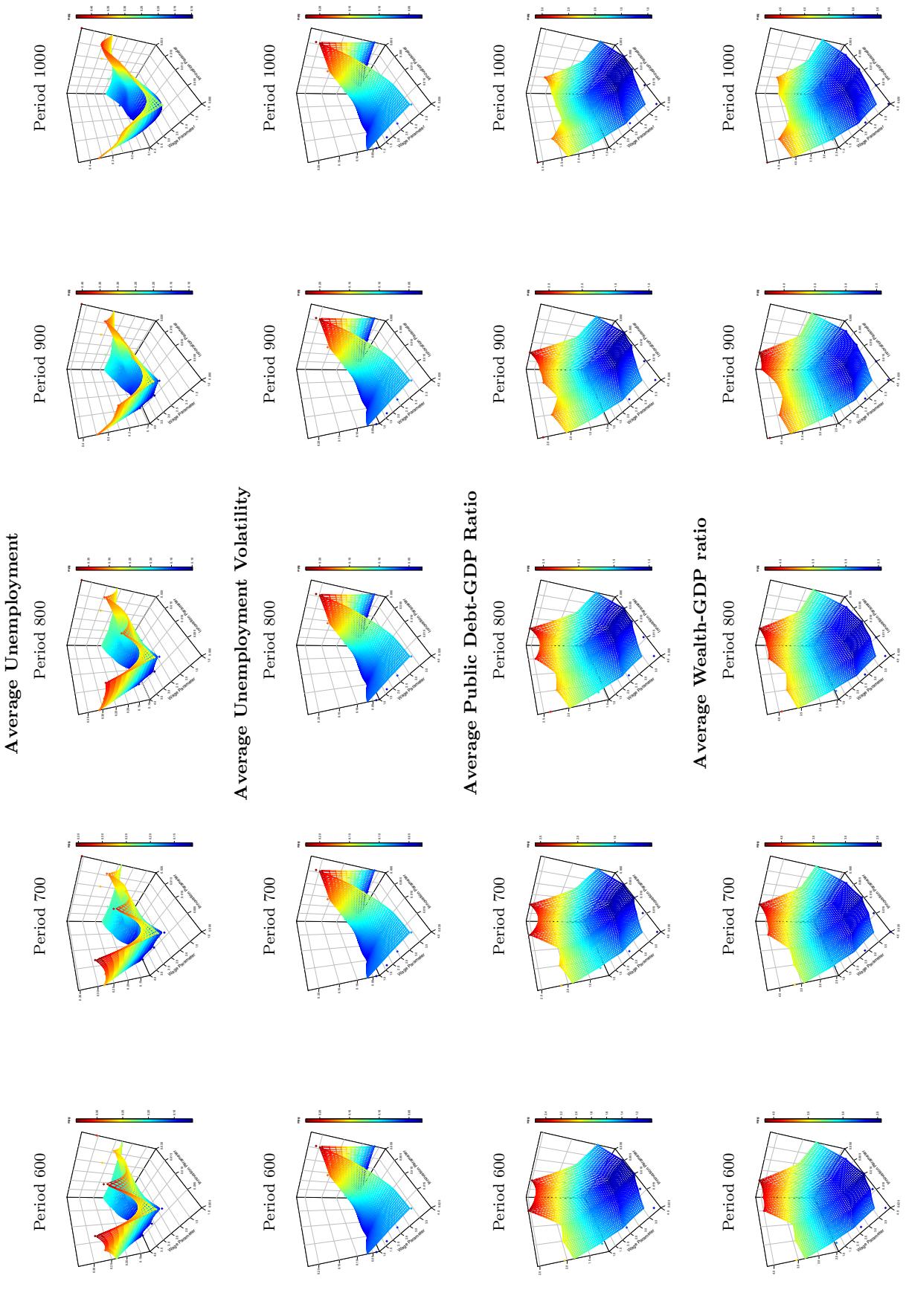
Experiment Innovation-Wages of Caiani et al. (2017a), Section 3

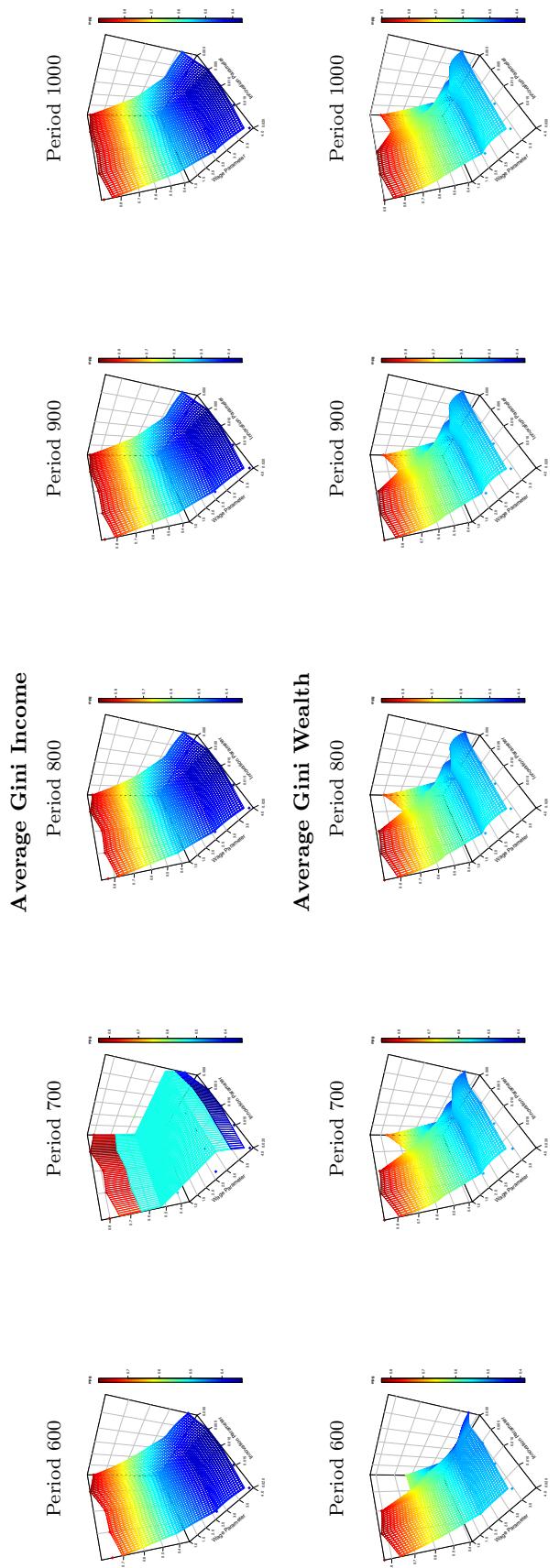


Experiment Innovation-Wages of Caiani et al. (2017a), Section 3

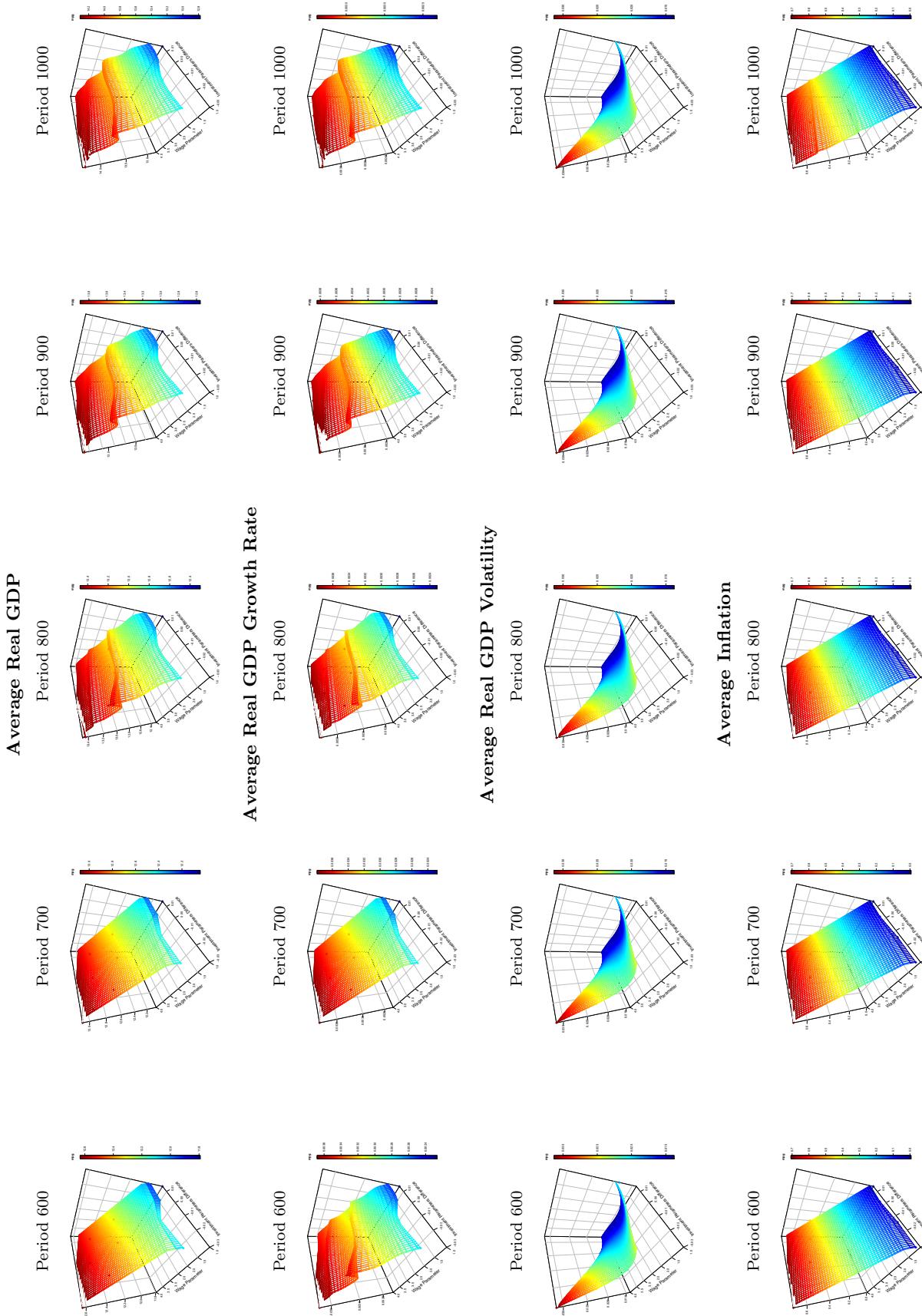


Experiment Innovation-Wages of Caiani et al. (2017a), Section 3

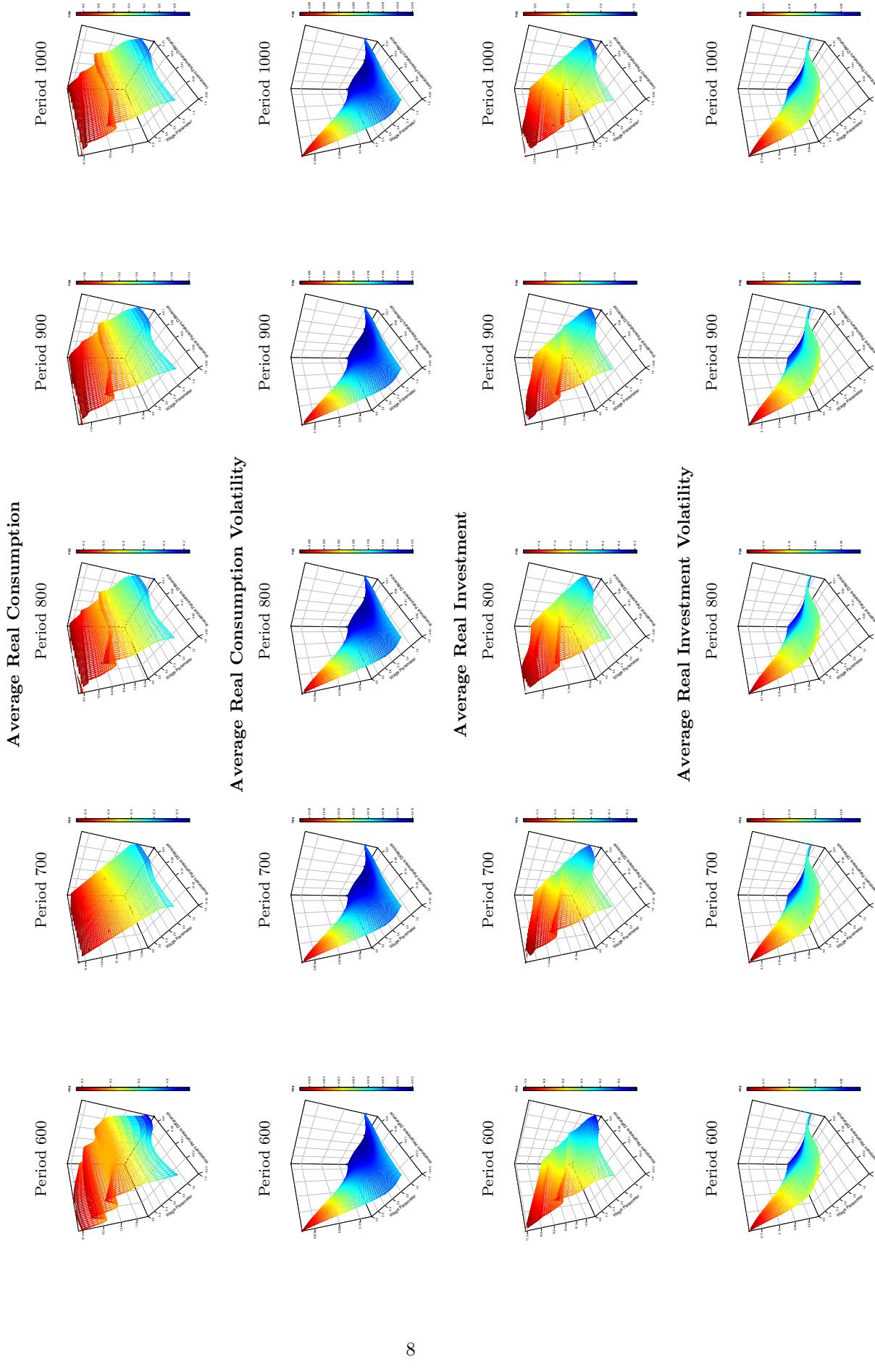




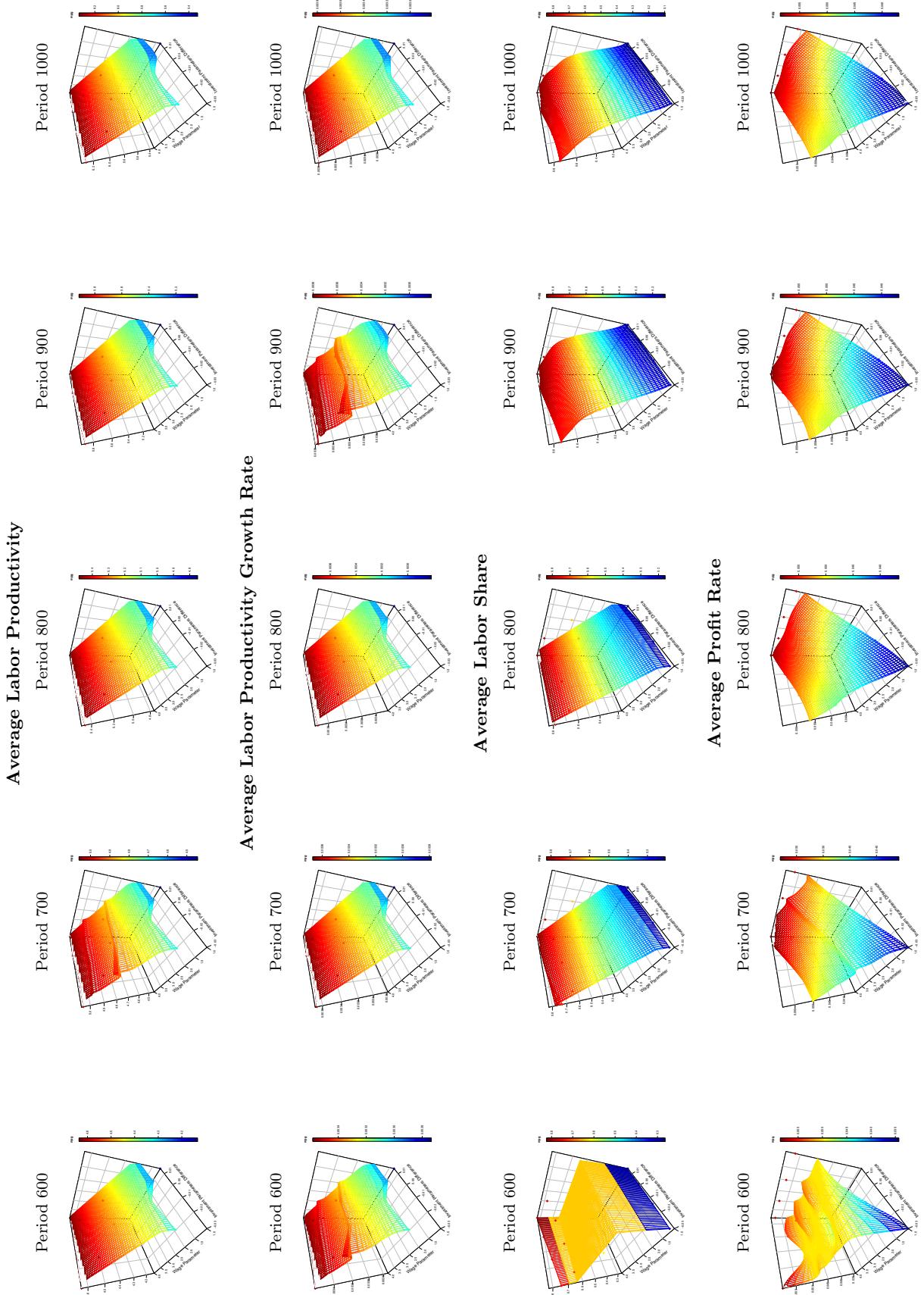
Experiment Investment-Wages of Caiani et al. (2017a), Section 4



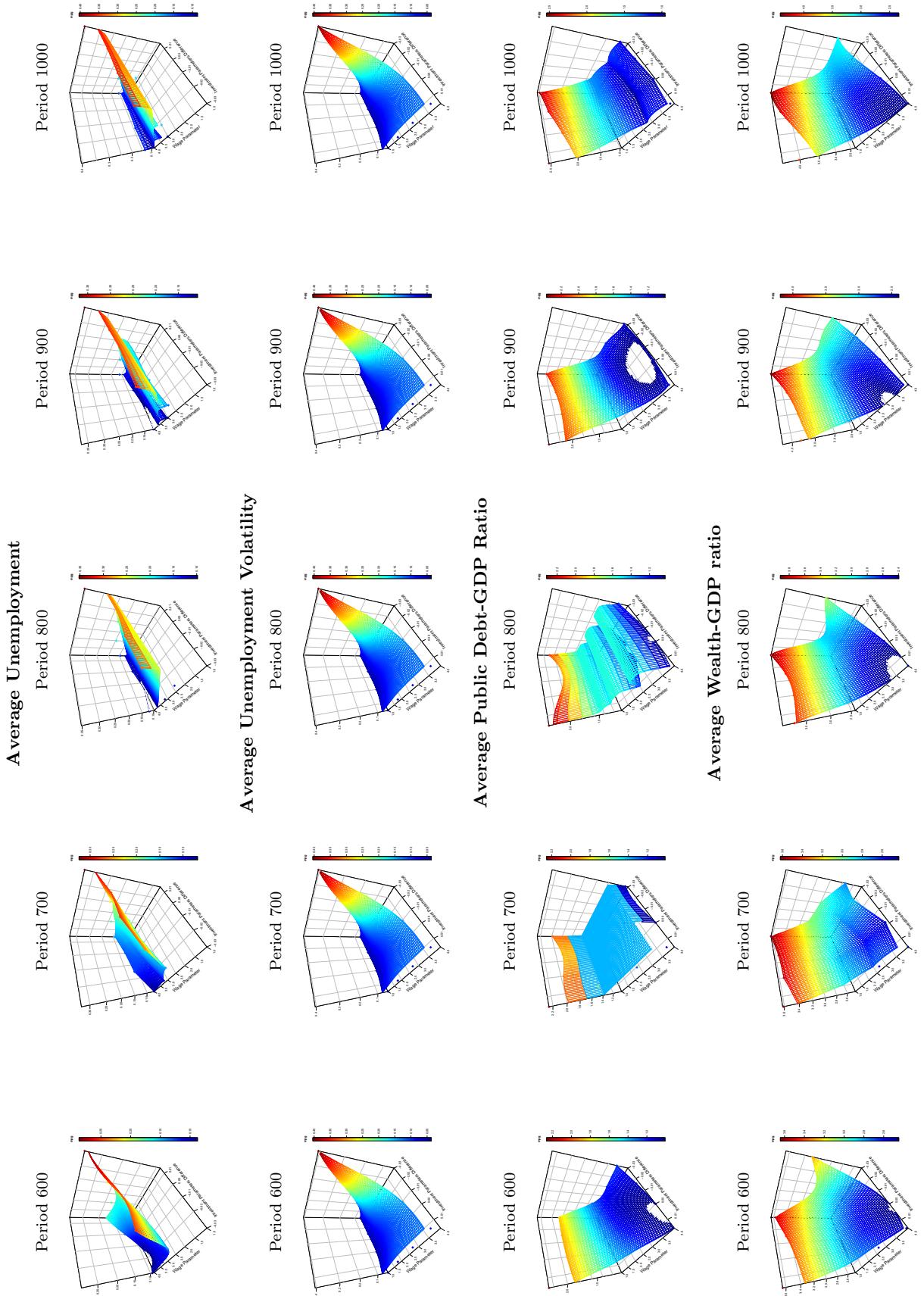
Experiment Investment-Wages of Caiani et al. (2017a), Section 4

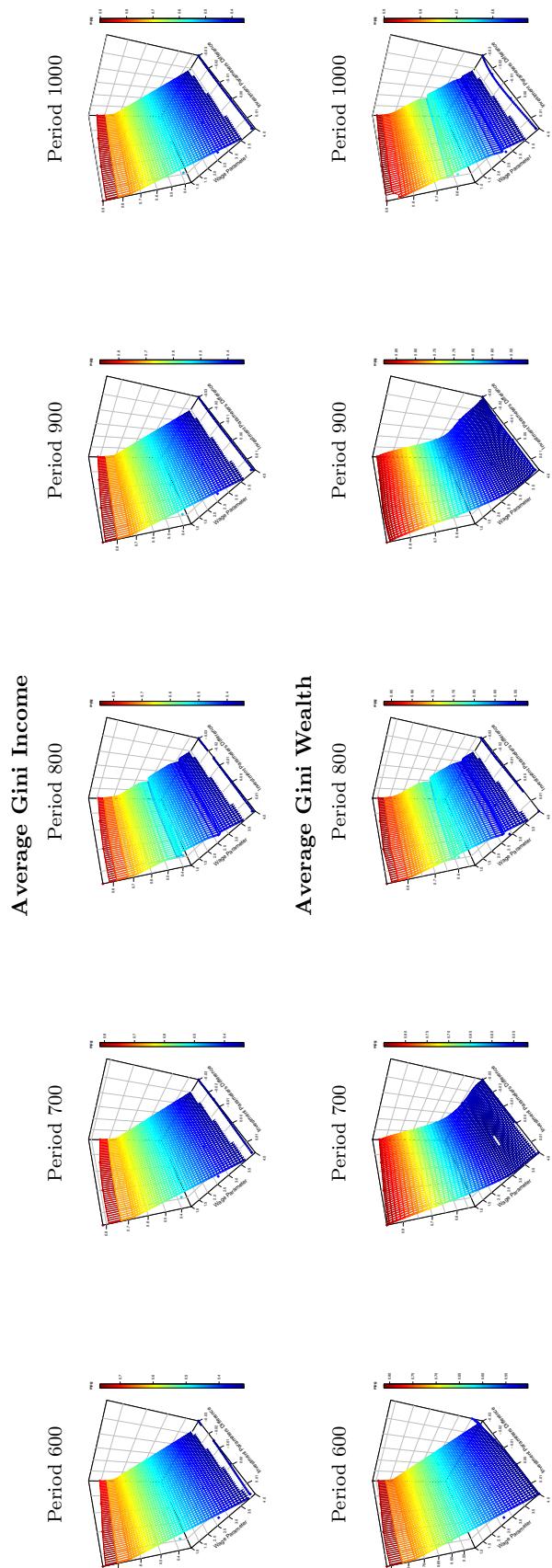


Experiment Investment-Wages of Caiani et al. (2017a), Section 4



Experiment Investment-Wages of Caiani et al. (2017a), Section 4





1 Reply to minor comments

For the sake of achieving greater gender neutrality and to avoid identifying first tier workers with only physical workers, we replaced the term ‘workmen’ with the more neutral ‘directed’ or ‘bottom/first tier’ workers. To avoid possible confusions generated by the change of wording with respect to [Caiani et al. \(2017b\)](#), where the model was originally presented, we included a footnote explaining the reasons of this amendment in correspondence of the first appearance of the term ‘directed workers’. In the same place we also follow the suggestion of the referee of adding a reference to Schumpeter’s [1912](#) differentiation between ‘directing and directed labor’.

Please notice that in [Caiani et al. \(2017b\)](#) we refer to this class of workers as ‘workmen’. While the index w is still employed in the equations to refer to this class of workers, the name was replaced with the more neutral ‘directed’ or ‘bottom/first tier’ workers to avoid a too tight identification with physical labor. In addition, we decided to amend the name of this class also for the sake of greater gender neutrality. The definition of directed workers, in turn, echoes the distinction between ‘directed labor’ and ‘directing labor’ proposed by [Schumpeter \(1912\)](#): directed labor is identified by Schumpeter with executing labor and supervising, administrative, labor. However, our definition of directed workers is narrower as it encompasses just bottom-tier workers. Directing labor instead is qualitatively separated by ordinary labor as it occupies a governing position at the top of the hierarchy of the productive organism and determines the direction, method and quantity of production. Directing labor can thus be identified with the role of managers in our model who command on other workers.

Finally, we corrected the typos spotted by the referee.

References

- Caiani, A., Russo, A., and Gallegati, M. (2017a). Are higher wages good for business? an assessment under alternative innovation and investment scenarios. *Available at on SSRN*, -:25.
- Caiani, A., Russo, A., and Gallegati, M. (2017b). Does inequality hamper innovation and growth? *Journal of Evolutionary Economics*, (forthcoming):39.
- Schumpeter, J. A. (1934/1912). *The Theory of Economic Development*. Harvard University Press, Cambridge, MA.