

The paper Aghion, Philippe, Nick Bloom, Richard Blundell, Rachel Griffith and Peter Howitt (2005), “Competition and innovation: an inverted U relationship” *Quarterly Journal of Economics* May 2005, Vol. 120, No. 2, pp. 701-728 contains a minor error in column (4) of Table I. Some of the policy instruments listed in Table II of the paper were mistakenly dropped from the regression. The corrected column is shown below.

TABLE I: Exponential Quadratic: Basic specification

	(4)	(4) corrected
Dependent Variable: Citation weighted patents		
Data Frequency	Annual	Annual
Competition _{jt}	385.13 (67.56)	386.59 (67.61)
Competition squared _{jt}	-204.83 (36.06)	-205.32 (36.11)
Significance of: Competition _{jt} , Competition squared _{jt}	32.59 (0.00)	33.20 (0.00)
Significant of policy instruments in reduced form	10.11 (0.002)	3.70 (0.001)
Significance of other instruments in reduced form	5.00 (0.000)	5.60 (0.000)
Control functions in regression	4.38 (4.04)	4.38 (3.51)
R ² of reduced form	0.801	0.820
Year effects	Yes	Yes
Industry effects	Yes	Yes
Observations	354	354

Competition_{jt} is measured by (1-Lerner index) in the industry year. All columns estimated using an unbalanced panel of 17 industries over the period 1973 to 1994. Estimates are from a Poisson regression. Significance tests show likelihood ratio test statistics and P-value from the F test of joint significance. The fourth column includes a control function. The excluded variables are: policy instruments specified in Table II, imports over value-added in same industry-year, TFP in same industry-year, output minus variable costs over output in same industry-year and estimate of mark-up from industry-country regression (Martins et al 1996) interacted with time trend, all for USA and France.