

XXXVI Kansantaloustieteen päivät

Finnish Economic Association XXXVI Annual Meeting

Kuopio
13.–14.2.2014

Programme

Thursday 13.2.2014

10:00–17:00 Registration

10:00–10:15 Opening Words

10:30–12:30 Parallel Sessions I
1a Housing and Urban Economics
1b Growth I
1c Taxes I
1d Labour I
1e Banking Theory
1f Development

12:30–13:30 Lunch Break

13:30–15:30 Parallel Sessions II
2a Theory I
2b Education
2c Macroeconomics
2d Social Ties and Self Employment
2e Empirical Banking
2f Labour II

15:30–16:00 Break (Coffee and Tea)

16:00–17:30 Plenum
Professor Kjetil Storesletten, University of Oslo
"China's great transformation"

19:00–19:45 Reception Hosted by the City of Kuopio

20:00–24:00 Conference Dinner, Restaurant Os

Friday 14.2.2014

9:00–10:30 **Special Session**
Professor Tor Iversen (University of Oslo, Institute of Health and Society)
"Incentives in Health Care Provision"

Professor Pekka Rissanen (University of Tampere)
"Reforming Finnish Health & Welfare system"

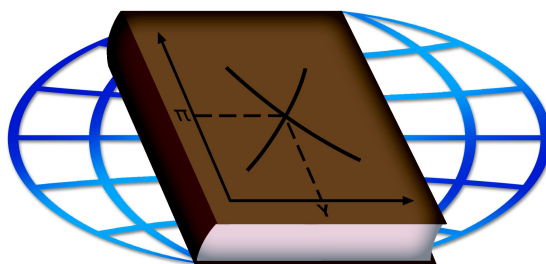
10:30–11:00 **Break (Coffee and Tea)**

11:00–12:30 **Parallel Sessions III**
3a Health I
3b Growth II
3c Taxes II
3d Macro Labour
3e Emerging Markets

12:30–13:30 **Lunch Break**

13:30–15:00 **Parallel Sessions IV**
4a Health II
4b Forecasting
4c Public Finance
4d Labour III
4e Theory II

Finnish Economic Association thanks the University of Eastern Finland and the city of Kuopio for hosting the conference and the reception and Bank of Finland, Jenny and Antti Wihuri Foundation, Kulttuurirahasto, Liikesivistysrahasto, Nordea Bank Finland, Tieteellisten Seurain Valtuuskunta and Yrjö Jahnesson Foundation for financial support.



Taloustieteellinen Yhdistys
Finnish Economic Association

Addresses, transportation, general information

Conference Venue University of Eastern Finland, Kuopio, Savilahdentie 6 (Tietoteknia)

Registration On Thursday 13.2. from 10:00 to 17:00

Reception Hosted by the City of Kuopio Tulliportinkatu 31

Conference hotel Sokos Hotel Puijonsarvi, Minna Canthin katu 16

Conference dinner Restaurant Os, Ajurinkatu 16 at 20:00.

Lunch Restaurants Amica Tietoteknia (Savilahdentie 6)
Restaurant Tower (Microkatu 1)
Restaurant Hyvä Huomen (Bioteknia, Neulaniementie 2)

Bus transportation

Thursday 13.2.2014
From Conference Hotel to University at 9:40.
From University to Conference Hotel at 17:35.

Friday 14.2.2014
From Conference Hotel to University at 8:40.
From University to City Center at 15:10.

PARALLEL SESSIONS I: Thursday 13.2.2013 10:30–12:30 (2h)

1035 Session 1a: Housing and Urban Economics

Chair: Tuukka Saarimaa (Government Institute for Economic Research–VATT)

Heterogeneous but not myopic: evidence on the capitalization of energy technologies in the housing market

Oskari Harjunen (Government Institute for Economic Research–VATT and Aalto University),
Matti Liski

Discussant: Teemu Lyytikäinen (Government Institute for Economic Research–VATT)

Housing allowance and rents: evidence from a stepwise subsidy scheme

Teemu Lyytikäinen (Government Institute for Economic Research–VATT), Essi Eerola

Discussant: Elias Oikarinen (Turku School of Economics)

Regional differences in the price elasticity of housing supply: The Finnish case

Elias Oikarinen (Turku School of Economics)

Discussant: Tuukka Saarimaa (Government Institute for Economic Research–VATT)

Is social housing affordable?

Tuukka Saarimaa (Government Institute for Economic Research–VATT), Essi Eerola

Discussant: Oskari Harjunen (Government Institute for Economic Research–VATT)

1036 Session 1b: Growth I

Chair: Hannu Kahra (University of Oulu)

Effect of debt on growth – a synthesis

Pasi Ikonen (Bank of Finland)

Discussant: Seppo Ruoho

Does sovereign debt weaken economic growth? A panel VAR analysis.

Tuomas Malinen (University of Helsinki), Matthijs Lof

Discussant: Hannu Kahra (University of Oulu)

World depression, Euro area crisis and world economic growth

Seppo Ruoho

Discussant: Pasi Ikonen (Bank of Finland)

Chicken or the egg? Answering the debt-to-GDP debate

Hannu Kahra (University of Oulu)

Discussant: Mika Nieminen (University of Jyväskylä, JSBE)

1037 Session 1c: Taxes I

Chair: Olli Ropponen (Government Institute for Economic Research–VATT)

Restaurant VAT cut: cheaper meal and more service?

Jarkko Harju (Government Institute for Economic Research–VATT), Tuomas Kosonen

Discussant: Robin Stitzing (Aalto University)

Sin licenses revisited

Kaisa Kotakorpi (University of Turku), Markus Haavio

Discussant: Olli Ropponen (Government Institute for Economic Research–VATT)

Taxing pollution potential: the 2008 Finnish automobile taxation reform and the proliferation of low-emission vehicles

Robin Stitzing (Aalto University)

Discussant: Kaisa Kotakorpi (University of Turku)

Veroreformin vaikutukset ylimmissä tuloluokissa

Olli Ropponen (Government Institute for Economic Research–VATT)

Discussant: Jarkko Harju (Government Institute for Economic Research–VATT)

1038 Session 1d: Labour I

Chair: Jari Vainiomäki (University of Tampere)

The effect of benefit eligibility requirements on unemployment duration

Hanna Pesola (Government Institute for Economic Research–VATT), Tomi Kyyrä

Discussant: Jutta Viinikainen (University of Jyväskylä)

Biomarkers and labour market behaviours: The case of creatinine

Jutta Viinikainen (University of Jyväskylä, JSBE), Petri Böckerman, Alex Bryson, Christian Hakulinen, Mirka Hintsanen, Liisa Keltikangas-Järvinen, Jaakko Pehkonen, Laura Pulkki-Råback, Olli Raitakari

Discussant: Jari Vainiomäki (University of Tampere)

Testing compensating wage differentials using twin data

Jari Vainiomäki (University of Tampere), Petri Böckerman, Pekka Ilmakunnas

Discussant: Hanna Pesola (Government Institute for Economic Research–VATT)

1039 Session 1e: Banking Theory

Chair: Kari Kemppainen (Bank of Finland)

A search model of bank default

Marlène Isoré (University of Helsinki)

Discussant: Tuomas Takalo (Bank of Finland)

Inattentiveness: revisiting investment-cash flow sensitivities

Fabio Verona (Bank of Finland)

Discussant: Kari Kemppainen (Bank of Finland)

Pooled deposit insurance and financial stability

Esa Jokivuolle (Bank of Finland), Ilkka Kiema

Discussant: Panu Kalmi (University of Vaasa)

Changing European payment landscape: economic consequences of the Single Euro Payments Area –project

Kari Kemppainen (Bank of Finland)

Discussant: Fabio Verona (Bank of Finland)

**TTA
audit.**

Session 1f: Development

Chair: Tuomas Pekkarinen (Government Institute for Economic Research–VATT)

Impact of receiving general budget support on public expenditure allocation in developing countries

Kaisa Alavuotunki (Aalto University)

Discussant: Tuomas Pekkarinen (Government Institute for Economic Research–VATT)

Reversal of the Kuznets curve: study on the inequality-development relation using top income shares data

Elina Tuominen (University of Tampere)

Discussant: Robert Gillanders (Aalto University)

Political trust, corruption and ratings of the IMF and the World Bank

Robert Gillanders (Aalto University), Michael Breen

Discussant: Elina Tuominen (University of Tampere)

Parental education and expenditure on children's schooling: evidence from a Tunisian reform

Tuomas Pekkarinen (Government Institute for Economic Research–VATT), Miquel Pellicer

Discussant: Kaisa Alavuotunki (Aalto University)

PARALLEL SESSIONS II: Thursday 13.2.2014 13:30–15:30 (2h)

1035 Session 2a: Theory I

Chair: Marko Terviö (Aalto University)

Utilitarian preferences and potential games

Hannu Salonen (University of Turku)

Discussant: Marko Terviö (Aalto University)

Optimal bank transparency

Tuomas Takalo (Bank of Finland), Diego Moreno

Discussant: Marlène Isoré (University of Helsinki)

Transaction taxes in an assignment model of housing

Marko Terviö (Aalto University)

Discussant: Hannu Salonen (University of Turku)

1036 Session 2b: Education

Chair: Manuel Bagues (Aalto University)

Educational choice and information on labour market prospects: Evidence from a randomised field experiment

Matti Sarvimäki (Aalto University), Sari Pekkala Kerr, Tuomas Pekkarinen, Roope Uusitalo

Discussant: Natalia Zinovyeva (Aalto University)

Early career and dropping out of university

Hannu Karhunen (University of Jyväskylä, JSBE)

Discussant: Manuel Bagues (Aalto University)

The role of connections in academic promotions

Natalia Zinovyeva (Aalto University), Manuel Bagues

Discussant: Matti Sarvimäki (Aalto University)

Does gender matter for academic promotion? Evidence from a randomized natural experiment

Manuel Bagues (Aalto University), Natalia Zinovyeva

Discussant: Hannu Karhunen (University of Jyväskylä, JSBE)

1037 Session 2c: Macroeconomics

Chair: Mika Nieminen (University of Jyväskylä, JSBE)

Updating the EMU: differentiated economic integration in the European Union

Samu Kurri (Bank of Finland)

Discussant: Markku Lehmus (Labour Institute for Economic Research–PT)

Lumpy investment in sticky information general equilibrium

Fabio Verona (Bank of Finland)

Discussant: Samu Kurri (Bank of Finland)

Finnish fiscal multipliers with a structural VAR model

Markku Lehmus (Labour Institute for Economic Research–PT)

Discussant: Fabio Verona (Bank of Finland)

Trade imbalances within the euro area

Mika Nieminen (University of Jyväskylä, JSBE)

Discussant: Tuomas Malinen (University of Helsinki)

1038 Session 2d: Social Ties and Self Employment

Chair: Juha Itkonen (University of Helsinki)

Maanviljelijöiden investointikäyttäytyminen FADN aineistossa

Antti Hyvärinen (University of Helsinki)

Discussant: Ilkka Ylhäinen (University of Jyväskylä, JSBE)

House prices and small business lending

Ilkka Ylhäinen (University of Jyväskylä, JSBE)

Discussant: Antti Hyvärinen (University of Helsinki)

Is the subjective wellbeing effect of economic growth determined by attachment in relationships?

Jani-Petri Laamanen (University of Tampere), Petri Böckerman, Esa Palosaari

Discussant: Juha Itkonen (University of Helsinki)

Social ties and concern for global warming

Juha Itkonen (University of Helsinki)

Discussant: Jani-Petri Laamanen (University of Tampere)

1039 Session 2e: Empirical Banking

Chair: Jari-Mikko Meriläinen (University of Vaasa)

The impact of risk, funding and valuation shocks on euro area banks and economies

Mervi Toivanen (Bank of Finland), Laurent Maurin

Discussant: Jari-Mikko Meriläinen (University of Vaasa)

Organizational structure and performance in European banks: a post-crisis reassessment

Panu Kalmi (University of Vaasa), Giovanni Ferri, Eeva Kerola

Discussant: Mervi Toivanen (Bank of Finland)

The role of bank ownership form in cyclicity of loan loss provisions and lending

Jari-Mikko Meriläinen (University of Vaasa)

Discussant: Jaakko Sämskilähti (University of Jyväskylä)

Local bank competition and small business lending after the onset of the financial crisis

Jaakko Sämskilähti (University of Jyväskylä)

Discussant: Kari Kemppainen (Bank of Finland)

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audit.

Session 2f: Labour II

Chair: Mika Haapanen (University of Jyväskylä)

The positive effect of labor mobility restrictions on human capital accumulation in China

Yao Pan (Aalto University)

Discussant: Mauri Kotamäki (Ministry of Finance)

Participation tax rates in Finland

Mauri Kotamäki (Ministry of Finance)

Discussant: Mika Haapanen (University of Jyväskylä)

Regional subsidies for industrial development: direct vs. indirect subsidies

Mika Haapanen (University of Jyväskylä), Anu Tokila

Discussant: Yao Pan (Aalto University)

PARALLEL SESSIONS III: Friday 14.2.2014 11:00–12:30 (1.5h)

1035 Session 3a: Health I

Chair: Mika Lindén (University of Eastern Finland)

The impact of generic substitution policy on prices of branded and generic products

Joni Hokkanen (National Institute for Health and Welfare–THL), Ismo Linnosmaa, Markku Siikanen

Discussant: Mika Lindén (University of Eastern Finland)

The long-term effects of out-of-home care: a propensity score approach

Antti Väisänen (National Institute for Health and Welfare–THL), Ismo Linnosmaa, Laura Kestilä, Reija Paananen, Mika Gissler

Discussant: Paul Pavitra (University of Eastern Finland)

Inequalities in health and health services consumption in the Russian Federation – how it is progressing?

Paul Pavitra (University of Eastern Finland), Hannu Valtonen

Discussant: Antti Väisänen (National Institute for Health and Welfare–THL)

1036 Session 3b: Growth II

Chair: Hannu Piekkola (University of Vaasa)

Alueelliset suorituskykyerot: maakuntien tehokkuusluvut ja tuottavuusmuutoksen dekomponointi

Timo Tiainen (TBA)

Discussant: Hannu Piekkola (University of Vaasa)

Intangible capital agglomeration and economic growth: analysis of regions in Finland

Hannu Piekkola (University of Vaasa)

Discussant: Timo Tiainen (TBA)

1037 Session 3c: Taxes II

Chair: Seppo Kari (Government Institute for Economic Research–VATT)

Non-linear dividend tax and dynamics of the firm

Seppo Kari (Government Institute for Economic Research–VATT), Jussi Laitila

Discussant: Essi Eerola (Government Institute for Economic Research–VATT)

Specialists, generalists and firm-level price setting: evidence from consumption-tax reforms

Tuomas Kosonen (Government Institute for Economic Research–VATT), Jarkko Harju, Oskar Nordström Skans

Discussant: Jenni Jaakkola (University of Turku)

Korotettujen poistojen hyödyntäminen

Sami Grönberg (Government Institute for Economic Research–VATT)

Discussant: Tuomas Kosonen (Government Institute for Economic Research–VATT)

PARALLEL SESSIONS III: Friday 14.2.2014 11:00–12:30 (1.5h), continued

1038 Session 3d: Macro Labour

Chair: Juuso Vanhala (Bank of Finland)

General and Specific Skills, Unemployment and Shocks

Juuso Vanhala (Bank of Finland)

Discussant: Petteri Juvonen (University of Jyväskylä, JSBE)

Centralized wage setting in a small open economy

Petteri Juvonen (University of Jyväskylä, JSBE)

Discussant: Matthias Strifler (University of Jyväskylä, JSBE)

Wage effects of firm size and bargaining mode

Matthias Strifler (University of Jyväskylä, JSBE), Jaakko Pehkonen, Sampo Pehkonen, Mika Maliranta

Discussant: Juuso Vanhala (Bank of Finland)

1039 Session 3e: Emerging Markets

Chair: Iikka Korhonen (Bank of Finland)

Powerful parents? The local impact of banks' global business models

Karolin Kirschenmann (Aalto University), Ralph De Haas

Discussant: Esa Jokivuolle (Bank of Finland)

Financial development and the pattern of industrial specialization: regional evidence from China

Quing He (Renmin University of China), Chang Xue, Chenqi Zhu

Discussant: Iikka Korhonen (Bank of Finland)

Does money buy credit? Firm-level evidence on bribery and bank debt

Zuzana Fungáčová (Bank of Finland), Anna Kochanova, Laurent Weill

Discussant: Karolin Kirschenmann (Aalto University)

PARALLEL SESSIONS IV: Friday 14.2.2014 13:30–15:00 (1.5 h)

1035 Session 4a: Health II

Chair: Mika Lindén (University of Eastern Finland)

Smoking and long-term labor market outcomes

Petri Böckerman (Labour Institute for Economic Research–PT), Ari Hyytinen, Jaakko Kaprio

Discussant: Sanna Huikari (University of Oulu)

Suicide and unemployment: evidence from the regional level data in Finland 1990-2010

Sanna Huikari (University of Oulu), Marko Korhonen

Discussant: Petri Böckerman (Labour Institute for Economic Research–PT)

Multimarket conduct in pharmaceutical markets

Markku Siikanen (Aalto University and HECER)

Discussant: Mika Lindén (University of Eastern Finland)

1036 Session 4b: Forecasting

Chair: Sami Oinonen (Bank of Finland)

Multi-step forecasting in the presence of breaks

Jari Hännikäinen (University of Tampere)

Discussant: Sami Oinonen (Bank of Finland)

Analysis of aggregated inflation forecasts in the ECB survey of professional forecasts

Sami Oinonen (Bank of Finland), Maritta Paloviita

Discussant: Jari Hännikäinen (University of Tampere)

1037 Session 4c: Public Finance

Chair: Essi Eerola (Government Institute for Economic Research–VATT)

Political accountability with voter heterogeneity and expressive voting motives

Jenni Jaakkola (University of Turku)

Discussant: Sami Grönberg (Government Institute for Economic Research–VATT)

What matters for the fiscal impact of immigration?

Essi Eerola (Government Institute for Economic Research–VATT), Matti Sarvimäki

Discussant: Seppo Kari (Government Institute for Economic Research–VATT)

1038 Session 4d: Labour III

Chair: Sole Molander (TBA)

Regional and industrial mobility of the high technology labour

Rauli Svento (University of Oulu)

Discussant: Pekka Tiainen (Ministry of Employment and the Economy)

Productivity and services–safety telephone services for the elderly

Sole Molander (TBA)

Discussant: Rauli Svento (University of Oulu)

Vähintään 300 päivää työttömänä olleiden työmarkkinatukea saavien työllistämistä koskeva hallituksen esitys ja kuntien rooli

Pekka Tiainen (Ministry of Employment and the Economy)

Discussant: Sole Molander (TBA)

1039 Session 4e: Theory II

Chair: Topi Miettinen (Hanken School of Economics)

Degree of economic sustainability in the management of renewable resources

Mitri Kitti (University of Turku)

Discussant: Topi Miettinen (Hanken School of Economics)

Organisational form and individual motivation: public ownership, privatisation, and fat cats

Johan Willner (Åbo Akademi University), Sonja Grönblom

Discussant: Mitri Kitti (University of Turku)

From ideals to deals - the impact of arbitration experience on negotiation behavior

Topi Miettinen (Hanken School of Economics), Marja-Liisa Halko

Discussant: Johan Willner (Åbo Akademi University)

Abstracts

Session 1a: Housing and Urban Economics

Heterogeneous but not myopic: evidence on the capitalization of energy technologies in the housing market

Oskari Harjunen (Government Institute for Economic Research–VATT and Aalto University), Matti Liski

Ideally, the price of a durable good should move one-to-one with the anticipated future cost of using the durable. Policies having an impact on the anticipated future energy costs should thus have an impact on the current prices of durables such as automobiles and houses for the technology choices to be efficient. But it has been challenging to identify such a capitalization of energy cost into purchase prices, making it difficult to rule out the conclusion that consumers undervalue future costs; an often-presented claim is that consumers are myopic. We identify the capitalization of heating technologies of houses by using detailed Finnish register data on transaction prices, house and neighborhood characteristics, and location: the contribution of the technology on the house price is identified by a spatial matching of houses. We find that when the heterogeneities are controlled for, the cost differentials of technologies capitalize into house prices as one would expect. For an average house, the price discount from observing electric heating in comparison with district heating is 4 per cent, implying that the energy savings are discounted with 2-3 per cent annual rate.

Housing allowance and rents: evidence from a stepwise subsidy scheme

Teemu Lyytikäinen (Government Institute for Economic Research–VATT), Essi Eerola

This paper studies the effect of housing allowance on rents using Finnish data. The stepwise dependence of housing allowance on floor area and construction year of the dwelling allows us to isolate the impact of the generosity of housing allowance from other determinants of rents. We find that in the private rental sector higher potential subsidy for a dwelling implies a significantly higher rent. The effect does not depend on whether the dwelling is occupied by a subsidy recipient. Therefore, housing allowance seems to raise the overall rent level but there is no evidence of price discrimination by claimant status.

Regional differences in the price elasticity of housing supply: The Finnish case

Elias Oikarinen (Turku School of Economics)

This study investigates regional differences in the long-term price elasticity of housing supply across 15 Finnish cities. Based on quarterly data for the period 1987-2011, the empirical findings show substantial regional variation in the long-term supply elasticity. The elasticity is the smallest in Helsinki, 0.2, and the largest in Rovaniemi 0.8, while for most cities the elasticity is between 0.4 and 0.7. The stability of these elasticities over the sample period cannot be rejected based on recursive analysis. The city size and land use policy are the most significant factors causing the regional elasticity differences. Together, these factors account for some 80% of the variations across the 15 cities included in the study. The results further indicate that the opportunities of land use policy practices to increase the elasticity of housing supply are only limited.

Is social housing affordable?

Tuukka Saarimaa (Government Institute for Economic Research–VATT), Essi Eerola

Supply subsidies to owners of rental housing construction are typically aimed at increasing the overall size of the housing stock or at guaranteeing affordable housing for low-income households. This paper studies whether and how much the tenants of the social housing units benefit from this subsidy. We use data both on free market rental units and subsidized rental units. Our data contain detailed information about the characteristics of the units, including their location. We employ hedonic regression methods to predict rents for the subsidized units and use the results to calculate the subsidy the tenants obtain when occupying a subsidized unit instead of an otherwise similar free market rental unit. We find that on average the subsidized units owned by the city of Helsinki have clearly lower rents than comparable free market units. The rent level in the subsidized units owned by non-profit companies is, however, much closer to free

market level. We also find that there is substantial heterogeneity in the amount of subsidy that different subsidized units receive.

Session 1b: Growth I

Effect of debt on growth - a synthesis

Pasi Ikonen (Bank of Finland)

As public debt levels have exploded in advanced economies, there has been an increasing interest in studying the detrimental effects of excessive government debt on growth. According to Reinhart, Reinhart and Rogoff (2012) there are even other debt overhangs in addition to high public debt: private debt, external debt (both government and private debt owed to foreigners) and the actuarial debt implicit in underfunded old age pension and medical care programs. These types of debt produce distortions that hamper growth. For example, indebted consumers cut expenditure, which contributes to weaker aggregate demand. There are also interactions between the different forms of debt as private debt is often partly absorbed in government debt during major financial crises, as recently in Ireland. On the other hand, it is generally accepted and there are some supporting empirical results that financial development - which is often measured by the rate of private sector debt to GDP - enhances growth. How can debt be growth hampering and enhancing at the same time? This study tries to shed some light on this puzzle.

Does sovereign debt weaken economic growth? A panel VAR analysis.

Tuomas Malinen (University of Helsinki), Matthijs Lof

We estimate a panel vector autoregressive model to analyze the highly disputed relationship between debt and growth. While several studies indicate that high levels of sovereign debt hamper the growth prospects of a country, our results question this. Using data on 20 developed countries, we find no evidence for a robust effect on debt to growth, even for higher levels of sovereign debt. We do find a significant negative reverse effect of growth to debt, which explains the negative correlation.

World depression, Euro area crisis and world economic growth

Seppo Ruoho

In the beginning of the nineties the Cold War ended as the Soviet Economic bloc was dissolved. A bit later 1995 the WTO was founded by Marrakech agreement replacing the Gatt agreement. Many tended to believe earlier that there was not catch-up development in the developing world. An exception was China. World economic growth is measured most often as per capita growth rates of GDP. There were no exact common data and methodologies for economic comparisons. All countries had adopted the SNA-system of national accounting and common methodology for PPP-studies only by the beginning of nineties. The Soviet Union started open economic system comparisons during the perestroika and transition. China adopted the SNA in 1993. GDPs expressed in official exchange rates instead of using global PPP figures are slightly different. After some economic uncertainty in the new transient economies the word economic growth invigorated. The BRIC countries were closely followed by a group of large developing countries as for high GDP growth rates. Many economies in the former Soviet Bloc oriented towards the West and the EU. The important economic experiment with optimal currency area, the Eurozone was borne with Germany as the leading economy in 1999. The period 1980-1990 was dominated by the growth of the OECD countries. In the nineties the stars were the USA and China. The world recession affected most on the developed countries in the late first decade of 2000s. However, in the 2000- 2012 the big semi developed economies were on the rise. There was a strong economic and political case for globalization and integration. The macroeconomic theory developed towards dynamic stochastic equilibrium models and new insurance instruments in the field of financing made their entrance into the economic theory as well as into the arrays of debt instruments. The investment banking crisis led to some critical reassessments. The world recession is likely fading out and the Eurozone to survive. What does this imply for the world economic growth and wealth developments? What are our workable empirical global models? Have the disturbances in the world growth development shattered our believes in growing prosperity? The main interest will be models suitable for high level growth theories. This requires assessing the macro economic theory and model hierarchy and pondering the limits to feasible. The models used should be highly aggregated to be estimated empirically. We need at least theoretical models, empirical quantitative models and also institutional models. Public bodies use rather complicated empirical macro-models. Part of the ppp-based data is still synthetic. Openness of

economies and the elasticity of exports to GDP growth seem to be important indicators. These concepts may be measured in differing ways. Official exchange rates may favor developed economies. We use empirical time series models with key variables. Our institutional reality is the decision making of international organizations.

Chicken or the egg? Answering the debt-to-GDP debate

Hannu Kahra (University of Oulu)

The government debt-to-GDP ratio predicts both economic growth and debt growth. At a low government debt-to-GDP ratio, less than 34-35 percent, the ratio predicts positive economic growth at the one-, three and five-year horizons. A very high debt-to-GDP ratio, more than 108 percent, predicts negative five-year GDP growth. Except for the first decile of the debt-to-GDP ratio, the ratio predicts positive one-year debt growth. At all debt levels, the ratio predicts a negative three- and five-year debt growth.

Session 1c: Taxes I

Restaurant VAT cut: cheaper meal and more service?

Jarkko Harju (Government Institute for Economic Research–VATT), Tuomas Kosonen

This paper provides causally credible estimates of the effects of consumption taxes in a service sector on prices and demand for restaurant services. We utilize a large VAT reform affecting restaurant meals, where the VAT rate was cut from 22% to 13% in 2010 in Finland. By comparing with restaurants in neighboring countries and other related sectors in Finland, the reform offers a natural experimental approach. The results indicate that restaurants reduced their prices on average by only 2%, which equals roughly a quarter of the full pass-through. Remarkably, at the same time a majority of restaurants did not reduce their prices at all and a non-trivial fraction of restaurants reduced their prices by exactly the full pass-through. Larger restaurants reduced their prices more often than smaller restaurants. We do not observe any increases in the quantity of services sold or in wage sums paid to employees. Furthermore, there are no changes in medium-term entry and exit due to the reform.

Sin licenses revisited

Kaisa Kotakorpi (University of Turku), Markus Haavio

We analyse attempts to implement personalised regulation in the form of sin licenses (O'Donoghue and Rabin 2003, 2005, 2007) to correct the distortion in the consumption of a harmful good when consumers suffer from varying degrees of self-control problems. We take into account demand uncertainty, which generates a trade-off between flexibility and the commitment provided by sin licenses. We also account for the possibility that consumers may trade the sin good in a secondary market. We show that sin licenses implement the (second-best) optimal personalised non-linear pricing scheme for sophisticates. For naives, sin licenses are equivalent to a linear sin tax.

Taxing pollution potential: the 2008 Finnish automobile taxation reform and the proliferation of low-emission vehicles

Robin Stitzing (Aalto University)

I estimate the efficacy of the Finnish 2008 automobile taxation reform on the proliferation of low-emissions vehicles - its stated goal - by estimating the reform's effects on new vehicle average CO₂ emissions. The reform linked the tax rate of the existing ad-valorem purchase tax to model-specific CO₂ emissions while concurrently raising fuel excise taxes. My estimates imply that around 30%* of the observed decrease in average CO₂ emissions of new cars 2007 to 2008, and around 25%* of the observed increase in the market share of diesel cars from 2007 to 2008 can be attributed to the purchase tax reform. The fuel tax increase hike did not affect either statistic. I find that the Finnish market reaction to changing fuel prices is slightly stronger than in other European countries but the magnitude of the effect remains small and statistically insignificant. I obtain these estimates by estimating the purchase tax reform changed the effect of model CO₂ emissions on registrations of individual vehicles models, controlling for vehicle characteristics, consumer characteristics and fuel prices. My estimation procedure thereby allows me to estimate the reform's effects without having to explicitly model consumer substitution and producer pricing behavior. (* results preliminary)

Veroreformin vaikutukset ylimmissä tuloluokissa

Olli Ropponen (Government Institute for Economic Research–VATT)

Valtion tuloveroasteikkoon lisättiin vuoden 2013 alusta uusi porras 100 000 € ylittävillä tuloilla. Tämä nk. solidaarisuusvero kiristää ylimpien tuloluokkien verotusta ja voi aiheuttaa käyttäytymisvaikutuksia, joiden seurauksena raportoitujen tulojen määrä voi muuttua. Ylimpiin tuloluokkiin liittyvissä tarkasteluissa on kansainvälisessä kirjallisuudessa havaittu nk. mean reversion –ongelma (Saez et al. 2012). Ongelma liittyy siihen, että kunakin vuonna ylimmissä tuloluokissa olevat henkilöt vaihtelevat. Esimerkiksi yritysten myynneistä saadut tulot vievät usein tulotilastojen kärkipäähän. Tästä syystä suora vertailu edellisen vuoden tuloihin voi antaa väärän arvion veron vaikutuksesta. Tutkimuksessa esitellään arviointitapa, jolla vastataan mean reversion -ongelmaan. Esiteltyä menetelmää sovelletaan arvioinnissa valtion tuloveroasteikon uuden portaatan vaikutuksista tulojen määrään.

Session 1d: Labour I

The effect of benefit eligibility requirements on unemployment duration

Hanna Pesola (Government Institute for Economic Research–VATT), Tomi Kyyrä

Eligibility for unemployment insurance (UI) benefits in most countries depends on record of past employment. In Finland, the individual has to have worked a minimum number of weeks within the past two years in order to qualify for UI benefits. In 2003, the number of required weeks was reduced from 43 to 34 for those with some UI history. We exploit this change to analyze how the UI eligibility requirements affect unemployment duration. We find that the reduction in the qualifying period did not affect hazard rates to regular and subsidized work, but it reduced the hazard rate to non-participation and hence increased the average duration of unemployment spells.

Biomarkers and labour market behaviours: The case of creatinine

Jutta Viinikainen (University of Jyväskylä, JSBE), Petri Böckerman, Alex Bryson, Christian Hakulinen, Mirka Hintsanen, Liisa Keltikangas-Järvinen, Jaakko Pehkonen, Laura Pulkki-Råback, Olli Raitakari

Knowledge about the links between biomarkers and labour market behaviours has been hampered by the absence of longitudinal data containing biomarkers and labour market outcomes. Using the Young Finns Survey (YFS) linked to the Finnish Linked Employer-Employee Data (FLEED) we show that the quantity of creatinine measured in 1980 prior to labour market entry is significantly related to labour market outcomes in the subsequent twenty years. Those individuals who had higher levels of creatinine in 1980 have a stronger labour market attachment over the period 1990-2010 and they also earn more. But creatinine is not significantly associated with educational attainment. The associations between creatinine and labour market outcomes are robust to controlling e.g. for other biomarkers, educational attainment and parental background. Our findings are consistent with medical studies showing that creatine, which converts to creatinine in the body, is related with muscular strength and improved mental functioning.

Testing compensating wage differentials using twin data

Jari Vainiomäki (University of Tampere), Petri Böckerman, Pekka Ilmakunnas

We use twin data matched to register-based individual information on earnings to examine the existence of compensating wage differentials for adverse working conditions. Twin data allows us to remove otherwise unobserved ability and other differences that drive the self-selection of workers into workplaces with particular set of working conditions. We find that, in contrast with standard theory, monotonic work is significantly negatively related to earnings in the OLS level estimates. This negative effect disappears in the twin-difference models, which indicates the importance of unobserved ability differences in understanding of compensating wage differentials.

Session 1e: Banking Theory

A search model of bank default

Marlène Isoré (University of Helsinki)

This paper develops a model in which bank default is endogenously determined, and depends notably on bank size and bankers' behavior. By accounting for heterogeneity in entrepreneurs' productivity and information asymmetry at the expense of financial investors, moral hazard arises following a sectoral productivity shock: bankers tend to choose investments that are more profitable in the short-run but whose risk is borne by the financiers. This 'risk-shifting' mechanism magnifies credit rationing in the economy,

particularly for safe borrowers, and contributes to bank default since financial investors may prefer not to (re-)capitalize intermediaries as long as they cannot control for bankers' choices. The search theory helps to depict a financial market freeze, i.e. a slow down in fund-raising for even sound borrowers.

Inattentiveness: revisiting investment-cash flow sensitivities

Fabio Verona (Bank of Finland)

In this paper I evaluate the investment-cash flow sensitivity in a frictionless neoclassical investment model augmented with informational frictions. The model features lumpy capital adjustments at the micro level: firms are inattentive and make infrequent investment decisions due to a cost of collecting and processing information. Moreover, despite there are no adjustment costs and capital markets are perfect, investment is positively related to Tobin's Q and cash flow. I find evidence of a cash-flow effect, as the cash flow-augmented regression adds significant explanatory power to the investment equation. Moreover, inattentiveness enhances the cash flow sensitivity of investment.

Pooled deposit insurance and financial stability

Esa Jokivuolle (Bank of Finland), Ilkka Kiema

The proposed European banking union would consist of the three pillars of Single Supervisory Mechanism (SSM), shared bank resolution, and, perhaps on a later stage, a shared deposit insurance scheme. Motivated by the last, currently still rather hypothetical suggestion, we consider the problem of modelling a deposit insurance pool of two countries, a wealthier "Core" and a less wealthy "Periphery", which may be interpreted as different parts of the euro zone. As the aim of deposit insurance is to prevent bank runs by guaranteeing that deposits can be paid out under all circumstances, a deposit insurance scheme will serve its aim only when the guarantee it provides is trusted by the depositors. Hence, a shared deposit insurance scheme may be expected to improve bank stability in the countries in which citizens have more trust in Europe-wide insurance than in an insurance provided by domestic authorities, whereas the opposite may be expected to be the case in the countries in which domestic authorities are trusted more. Wishing to analyze the validity of this intuitive conclusion, we shall build our model on the global game framework of Goldstein and Pauzner in which bank runs have well-defined probabilities. In our version of the framework deposit insurance is incomplete and may under some circumstances fail to provide full coverage for deposits, and our model yields probabilities for bank runs despite of deposit insurance. It turns out that a pooled deposit insurance is not, in general, a Pareto improvement on two separate deposit insurance schemes.

Changing European payment landscape: economic consequences of the Single Euro Payments Area – project

Kari Kemppainen (Bank of Finland)

This paper surveys the scarce economic literature on the integration of European retail payment systems and the consequent changes in the European payments landscape. The survey reviews the economic relevance of retail payments, European economic and financial integration as well as payment systems and financial integration. In general, the survey concentrates on the potential welfare and market structure effects the regulation of payment fees (EU Regulation 2560/2001) and the subsequent intensification of financial integration efforts in the payment system field in Europe. In essence, the survey highlights the fundamental questions: What are the economic benefits of SEPA (if any), and what is the economic rationale behind the SEPA-project?

Session 1f: Development

General budget support - Impact on government expenditure allocation

Kaisa Alavuotunki (Aalto University)

Within the framework of public expenditure choice, this paper analyses the impact of general budget support (GBS) on government expenditure allocation. The focus of the paper is to investigate the connection between GBS and government expenditure shares on health, education and public investments in developing countries. It is found that i) simply receiving GBS does not have any effect on the size of health or public investment allocations and has a negative effect on education share ii) however, the size of GBS received has a statistically significant positive impact on health sector expenditure share – not so much on education or public investments, iii) when controlling for the possible selection bias, the results indicate that not only the size of the GBS received but also simply receiving GBS is statistically significant for the

determining the size of government spending on health sector – again there is no evident connection between GBS and education or GBS and public investments.

Reversal of the Kuznets curve: study on the inequality-development relation using top income shares data

Elina Tuominen (University of Tampere)

This study discusses the association between income inequality and economic development, and it contributes to the inequality-development literature in two aspects. Firstly, we use recently published top 1% income share series as our inequality data. Top income shares data is of high quality and covers about a century for some countries and thus provides an interesting opportunity to study slow development processes. Secondly, nonlinearities have not been studied sufficiently in the inequality-development literature. To address the second issue, this study utilizes regression spline methods. This study finds that the inverted U-relation between inequality and development has reversed in many advanced countries.

Political trust, corruption and ratings of the IMF and the World Bank

Robert Gillanders (Aalto University), Michael Breen

TBA

Parental education and expenditure on children's schooling: evidence from a Tunisian reform

Tuomas Pekkarinen (Government Institute for Economic Research–VATT)

In this paper we estimate the effect of parental educational attainment on educational expenditures and on children's educational attainment. We exploit policy changes that restricted access to secondary education in the 1970's as an instrument for parental education and use data from 2010 Tunisian Expenditure Survey as well as 2010 Labor Force Survey to estimate the effect of parental education on the parent's expenditure on education as well as on the level of children's educational attainment. The results suggest that parental education increases the probability that the child attends university and has a positive effect on the level of overall expenditures. However, the level of educational expenditures is not affected by parental education.

Session 2a: Theory I

Utilitarian preferences and potential games

Hannu Salonen (University of Turku)

We study games with utilitarian preferences: the sum of individual utility functions is a generalized ordinal potential for the game. It turns out that generically, any finite game with a potential, ordinal potential, or generalized ordinal potential is better reply equivalent to a game with utilitarian preferences. It follows that generically, finite games with a generalized ordinal potential are better reply equivalent to potential games. For infinite games we show that a continuous game has a continuous ordinal potential, iff there is a better reply equivalent continuous game with utilitarian preferences. For such games we show that best reply improvement paths can be used to approximate equilibria arbitrarily closely.

Optimal bank transparency

Tuomas Takalo (Bank of Finland), Diego Moreno

Increasing transparency is recurrently offered as a centerpiece of bank regulation. We study a competitive banking sector whose illiquid assets are funded by short-term debt that must be refinanced. We show that welfare is a non-monotonic function of the level of transparency: Increasing transparency fosters efficient liquidation, but has an adverse effect on rollover risk given the level of risk. Banks may compensate this adverse effect by taking more risk. These offsetting effects render an intermediate level of transparency optimal. Moreover, the existence of negative social externalities of bank failures calls for making banks more opaque rather than more transparent.

Transaction taxes in an assignment model of housing

Marko Terviö (Aalto University), Niku Määttänen

We study the impact of a linear transaction tax on the distribution of house prices and welfare. We use a one-sided assignment model with imperfectly transferable utility, where households are heterogeneous by incomes, houses are heterogeneous by quality, and housing is a normal good. We analyze how the distribution of equilibrium prices depends on the joint distribution of endowments. We show how the impact of a transaction tax depends on the distribution, and how the distribution of the impact can be

inferred from data. In our empirical application we use data from the Helsinki metropolitan region to assess the welfare impact of a counterfactual tax reform, where the 2% transaction tax is replaced by a revenue equivalent linear property tax.

Session 2b: Education

Educational choice and information on labour market prospects: Evidence from a randomised field experiment

Matti Sarvimäki (Aalto University), Sari Pekkala Kerr, Tuomas Pekkarinen, Roope Uusitalo

We examine the impact of an information experiment conducted in 97 randomly chosen Finnish high schools. Roughly 5,000 graduating students were given information on the labor market prospects related to detailed educational degrees. Our analysis exploits a national application register that covers the entire population of the students graduating from the Finnish high schools. These data contain information about the schools the students applied to, where they were accepted and where they eventually chose to study. Similar information is available for both treatment and control schools for the year prior to the treatment. The results suggest that the intervention did lead to information updating but did not affect the application or enrollment patterns of Finnish high school students on average. However, male students from low educated backgrounds did switch to applying to programmes that they were positively surprised about.

Early career and dropping out of university

Hannu Karhunen (University of Jyväskylä, JSBE)

The purpose of this paper is to study how dropping out of university affects employment and earnings in the following years after dropout decision is made. We also focus on differences within the group of dropouts. Dropouts are defined by combining data on student grants and whether individual graduates from university. Our empirical analysis uses rich register based data to control numerous background variables measured before dropout decision is made. Our matching results indicate that compared to the other university students (comparison group), annual earnings decline before the dropout decision, but grow over 20 per cent after the dropout decision. We see that relative earnings gain declines significantly over three year period after the dropout decision. In addition that we find significant differences over time, we show that the dropout effect is heterogeneous by earlier work experience and academic ability.

The role of connections in academic promotions

Natalia Zinovyeva (Aalto University), Manuel Bagues

This paper analyzes the role of connections in academic promotions. We exploit the exceptional evidence provided by centralized evaluations in Spain, where evaluators are randomly assigned to promotion committees. Candidates are more likely to be promoted when they are evaluated by an acquainted evaluator. The source of this premium depends on the nature of their relationship. Candidates promoted by a weak link turn out to be more productive in the future relative to other promoted candidates, suggesting that informational gains dominate potential evaluation biases. On the contrary, candidates promoted by a strong connection exhibit a worse research record both before and after the evaluation. Our results have important implications for the optimal design of evaluation committees in academia.

Does gender matter for academic promotion? Evidence from a randomized natural experiment

Manuel Bagues (Aalto University), Natalia Zinovyeva

TBA

Session 2c: Macroeconomics

Updating the EMU: differentiated economic integration in the European Union

Samu Kurri (Bank of Finland)

The financial and economic crisis has reinforced the two-layer economic integration structure in the EU. Many of the new rules and structures created during the crisis have focused on a solution to the euro crisis and are thus euro area-specific. There is little evidence, however, that the situation would have dramatically changed compared to the Maastricht EMU. All of the changes are still in line with the basic idea that all EU countries will join the euro when they are ready to do so. One of the key questions in the near future is likely to centre on the contours of the euro area specific decision-making, its relationship to the EU as a whole, and its institutions and procedures. Even if the Eurogroup remains 'formally informal', it has managed to

transform itself into a de facto institution within the EU, and its role and weight is likely to increase rather than decrease.

Lumpy investment in sticky information general equilibrium

Fabio Verona (Bank of Finland)

In this paper, I introduce lumpy micro-level capital adjustment into a sticky information general equilibrium model. Lumpy adjustment arises because of inattentiveness in capital investment decisions instead of the more common assumption of non-convex adjustment costs. The model features inattentiveness as the only source of stickiness. I find that the model with lumpy investment yields business cycle dynamics which differ substantially from those of an otherwise identical model with frictionless investment and are much more consistent with the empirical evidence. These results therefore strengthen the case in favour of the relevance of microeconomic investment lumpiness for the business cycle.

Finnish fiscal multipliers with a structural VAR model

Markku Lehmus (Labour Institute for Economic Research-PT)

Finanssikriisin myötä on käyty vilkasta keskustelua finanssipolitiikan vaikutuksesta taloudelliseen aktiviteettiin, ts. finanssipolitiikan kertoimesta. Aiheesta on myös tehty huomattava määrä akateemista tutkimusta. Tutkimusta on kuitenkin tehty lähinnä yhdysvaltalaisella aineistolla, joten finanssipolitiikan kertoimesta Suomen osalta tiedetään vain vähän. Tämä tutkimus arvioi finanssipolitiikan kertoimia Suomen taloudelle rakenteellista VAR-mallia ja suomalaisia aineistoja hyödyntäen. Tutkimuksen metodologia perustuu hyvin tunnettuun Blanchardin ja Perottin (2002) artikkeliin. Tutkimuksen perusteella julkisten menojen kerroin on yli yhden suuruinen lyhyellä aikavälillä; verojen kerroin on noin puolet tästä luvusta.

Verojen kerroinvaikutus on kuitenkin huomattavasti kestävämpi ajassa. Menojen kerroin kuitenkin kasvaa jossain määrin, kun muutetaan mallispesifikaatiota.

Trade imbalances within the euro area

Mika Nieminen (University of Jyväskylä, JSBE)

Many studies have explored the determinants of current account balances in European countries. However, only in a few study trade imbalances have been decomposed into intra balances, trade balance against the euro area, and extra balances, trade balance against the rest of the world. In this paper we apply this decomposition and augment the previous studies of this type by including a larger set of theoretically plausible explanatory variables derived from the current account literature. This procedure provides new insights as we observe that the introduction of common currency has not necessarily increased the elasticity of trade flows to per-capita incomes within the euro area for the member countries. In addition, our framework reveals that there is a great heterogeneity among the usual determinants of trade balances with respect to whether they contribute to intra balances or extra balances.

Session 2d: Social Ties and Self Employment

Maanviljelijöiden investointikäyttäytyminen FADN aineistossa

Antti Hyvärinen (University of Helsinki)

Yritysten investointeja koskevaa kirjallisuutta sovelletaan maatalousyrittäjien investointien tutkimukseen. Aineistona käytetään Suomen FADN (Farm Accountancy Data Network) paneelinaineistoa. Aineiston muoto mahdollistaa analyysien toteuttamisen myöhemmin muiden EU-maiden vastaavalla aineistolla. Käytettävät analyysitekniikat ovat luonteeltaan kuvailevia, eivätkä pyri uuden teorian vahvistamiseen. Sen sijaan keskitytään aiemmassa kirjallisuudessa havaittuihin ongelmakohtiin ja niiden merkitykseen käsillä olevan tutkimusongelman suhteen.

House prices and small business lending

Ilkka Ylhäinen (University of Jyväskylä, JSBE)

This paper studies the collateral channel in small business lending using a large panel of Finnish micro firms. The study focuses on analyzing the role of regional house prices on facilitating the availability of bank loans to small businesses. The identification strategy exploits the regional differences in the zoning between municipalities. The econometric analysis uses both the first-differenced IV model and the dynamic Arellano-Bond GMM estimator. The findings suggest that higher regional house prices facilitate the use of bank loans of small businesses located in the area. The effect is most pronounced among the smallest micro firms, in line

with the collateral channel hypothesis.

Is the subjective wellbeing effect of economic growth determined by attachment in relationships?

Jani-Petri Laamanen (University of Tampere)

Whether economic growth increases subjective wellbeing has been under debate. Studies that find such an effect document heterogeneity between countries in the magnitude of the effect. We test a model in which economic growth increases subjective wellbeing only when a large share of the population derives subjective wellbeing from mutually beneficial relationships (relational goods) and the choice between income and relational goods is determined by individuals' early-developing schemas of self and others, which in psychology are conceptualized as the security of individuals' attachment style. More specifically, we test whether economic growth increases subjective wellbeing more in those countries where the average attachment security is higher. We find zero or negative relationships between economic growth and subjective wellbeing most often in countries with low average attachment security.

Social ties and concern for global warming

Juha Itkonen (University of Helsinki)

Recent research on the gap between public and expert concerns for global warming has speculated whether social ties could help explain public opinions. Even though concern for global warming might seem irrelevant for most social ties, we show that it is significant enough to be seen in the structure of social networks. To do this, we programmed a Facebook application that collects survey data on concerns and network data on friendships. We found that respondents tend to have similarly concerned friends, the unconcerned respondents have fewer friends, and two people disagreeing on the seriousness of global warming have less than half the probability of being friends. The results help to explain why opinions persist despite the scientific consensus, and suggest that the communication of climate science would benefit from tailoring the message for different social groups.

Session 2e: Empirical Banking

The impact of risk, funding and valuation shocks on euro area banks and economies

Mervi Toivanen (Bank of Finland), Laurent Maurin

This paper analyses how risk, funding and valuation shocks affect euro area banks' assets and liabilities and ultimately the economy of euro area countries since the beginning of the financial crisis. First, a panel VAR model with bank-level variables and macroeconomic data is estimated. Secondly, shocks are identified using a sign restrictions approach and the implications of the shocks are analysed by using impulse response functions. The results indicate that a substantial part of the movements recorded in individual banks' capital and debt ratio reflect changes in risk, funding and access to market. These shocks have impacted negatively on euro area loan supply throughout the crisis. In the euro area level, the contribution of the shocks amount to about one third of the decline in euro area GDP in 2009.

Organizational structure and performance in European banks: a post-crisis reassessment

Panu Kalmi (University of Vaasa), Giovanni Ferri, Eeva Kerola

Using a panel of European banks for 16 years during 1996-2011, we study the impact of ownership structure on performance in European banking both prior and during the recent financial and economic crisis. As specific measures we use are profitability, loan quality and cost efficiency. Our work extends the previous literature by comparing pre- and during-crisis performance, and including more refined ownership classifications. We show that both stakeholder and shareholder banks had their distinct advantages prior to the crisis. During the crisis, the profitability of stakeholder banks improved relative to shareholder banks, suggesting lower risk taking by stakeholder banks.

The role of bank ownership form in cyclicity of loan loss provisions and lending

Jari-Mikko Meriläinen (University of Vaasa)

This study examines bank ownership forms and their role in the effects of business cycles on loan loss provisions and lending. The sample consists of West European banks in 2004-2012. Panel data estimation methods are used to find out how the business cycles affect commercial, cooperative and savings banks in their provisioning policies and lending. Additionally, the effect of provisioning on lending is examined for each ownership form. The results suggest that all the ownership types are countercyclical in provisioning,

but cooperative and savings banks less than commercial banks. Lending is procyclical for commercial and savings banks, but cooperative banks are cycle-neutral. The loan loss provisions decrease the lending in the future for commercial and savings banks, but not for cooperative banks.

Jaakko Säskilähti (University of Jyväskylä)

This paper examines the effects of the financial crisis on small business lending. In particular we examine whether the magnitude of changes in volumes and prices of small business loans after the onset of the crisis was dependent on pre-crisis local bank competition and market structure. We use a unique and detailed data set of Finnish cooperative banks and locations of all branches of banks in Finland. The data enable us to examine the role of competition due to homogeneous set of banks regarding culture and business model, possibility to control bank-specific and local economic factors and significant differences in local competition environment. We find that the monthly volumes of new business loans decreased and average margins increased during the crisis period. More important, we find evidence of larger decrease in volumes and increase in prices in banks operating in the most competitive local markets than in other banks. The results are more robust for prices than for volumes.

Session 2f: Labour II

The positive effect of labor mobility restrictions on human capital accumulation in China

Pan Yao (Aalto University)

The Hukou system restricted most rural-urban migration in China for over 50 years. Under this system, rural residents could permanently migrate to urban areas by acquiring higher education. In this paper, I test the hypothesis that these mobility restrictions, combined with selective migration policies, encouraged rural investment in education. The test is based on a regression discontinuity design framework. Findings suggest that human capital accumulation for rural residents decreased sharply when mobility restrictions were removed in 1998. These effects are bigger for males and for those able to permanently migrate to relatively rich areas.

Participation tax rates in Finland

Mauri Kotamäki (Ministry of Finance)

The purpose of this discussion paper is three-fold. Firstly, it briefly reviews the existing participation tax estimates in Finland. According to the handful of studies conducted in Finland, the major trend in participation tax rates has been declining since the 2000s. Secondly, this paper provides a new set of estimates for the year 2013, computed with the new microsimulation model SISU and with the new, extensive registry based dataset. The average aggregate participation tax rate is X,X % in 2013. Single parents have the biggest probability of being in an income trap with Y.Y % of single parents have participation tax rate of 80 % or higher. Thirdly, this paper calculates a change in aggregate employment due to two specific reforms in the government's structural reform package, namely the effect on employment of protecting a portion of work income in unemployment benefits (300€) and in housing allowance (400€). An increase in employment is a few thousand people.

Regional subsidies for industrial development: direct vs. indirect subsidies

Mika Haapanen (University of Jyväskylä), Anu Tokila

Business subsidies are traditionally granted as direct subsidies to firms and businesses. Along with criticism towards public subsidies, more emphasis has been put on indirect subsidies on the development of business environment. For example, in Finland, these subsidies are seen an essential tool for enhancing regional economies. However, little is known about the effectiveness of business environment subsidies and what their impacts on industrial development are. This study attempts to fill the gap by providing a quantitative analysis of public subsidies to business environment that were granted in Finland in 2000-2004.

Session 3a: Health I

The impact of generic substitution policy on prices of branded and generic products

Joni Hokkanen (National Institute for Health and Welfare–THL), Ismo Linnosmaa, Markku Siikanen

Generic substitution policy was applied in Finland 2003 spring for cost containment purposes due increasing pharmaceutical prices. Pharmaceutical expenditures had gone up remarkably in 1990 and early 2000. In this paper we study the effect of applied generic substitution policy on brand-name (originator) and generic drug prices. Our theoretical model yields two different predictions for applied policy outcomes. In the first

prediction the applied policy enhances the price competition in the markets and drug prices decrease for both types. In second prediction the markets segment due applied policy (or generic entrant) and brand name products do not compete with generics while they are better off with by keeping prices high. Generic firm compete with other generics and their product prices decrease. In empirical section we estimate the policy effect with quasi-natural setup and difference in difference –framework with multiperiod effects. We observe the result of second theoretical prediction, the segmented outcome (often referred as generic paradox), where applied policy does not effect on brand-name prices but generic competition becomes fierce and prices decline notably. We refine the estimation by instrumenting the number of firms for controlling the market structure effects from policy effects.

The long-term effects of out-of-home care: a propensity score approach

Antti Väisänen (National Institute for Health and Welfare–THL), Ismo Linnosmaa, Laura Kestilä, Reija Paananen, Mika Gissler

This study evaluates the long-term treatment effects of out-of-home care. We used the propensity score matching (PSM) method to decrease the estimation bias caused by selection in the estimation of the average treatment effect of out-of-home care. The effect of treatment was evaluated using different long-term outcome variables (mental health, criminality, level of education and, socio-economic status in early adulthood, among others). We were also able to estimate the effects for different forms of placements, i.e. foster family, residential care and professional family care. The research data, the 1987 Finnish Birth Cohort, cover all children born in Finland in 1987 (N=60 069) Altogether, 1900 cohort members (3.1%) had been taken into care at some point during their childhood and adolescence. Our results show that former clients of out-of-home care were doing worse in early adulthood than the control group, even after matching. For instance, regarding educational attainment, the probability of having only basic level education was 32 percent higher for those who had been in out-of-home care. On the other hand, the probability of having been convicted of a crime was 21 percent higher and for receiving social assistance it was 40 percent higher. Additionally, former female customers had more teenage births and more induced abortions. Taking into account the form of placement, our results suggest that foster families lead to better outcomes than professional family homes or residential care.

Inequalities in health and health services consumption in the Russian Federation – how it is progressing?

Paul Pavitra (University of Eastern Finland), Hannu Valtonen

During the last two decades, the Russian Federation is experiencing an economic transition with its inherent social consequences. This paper examines the Russian health gradient over the period of the last 16 years (1994 – 2011). We have estimated the socioeconomic strata related health inequalities and also investigated the systematic variations in health services consumption in both uniform health status and rate of change in consumption covering 16 years of life course for the Russian population. The findings suggest that (1) increasing health inequalities over the period, (2) rising household income encourages more frequent visit to the doctor controlling age and self perceived health and (3) the perceived health status variances are predominantly explained by the gender and household income. By indicating the linkages amongst population health determinants, this paper gives an insight in developing an evidence based policy framework for addressing contemporary Russian health inequalities.

Session 3b: Growth II

Alueelliset suorituskykyerot: maakuntien tehokkuusluvut ja tuottavuusmuutoksen dekomponointi

Timo Tiainen (TBA)

Tutkimuksessa lasketaan Suomen maakunnille DEA-menetelmällä tehokkuusluvut vuosille 1998 ja 2004, kyseisten vuosien välillä tapahtunut tuottavuuden muutos, ja se edelleen jaetaan komponentteihinsa. Komponentit ovat tehokkuusmuutos ja tekninen kehitys sekä henkisen että fyysisen pääoman muutokset. Tehokkuusmuutos kuvaa alueen lähestymistä tai erkaantumista oman viiteryhmänsä tehokkaaseen teknologiseen rintamaan nähden, tekninen kehitys mittaa viiteryhmän tehokkaan teknologisen rintaman siirtymistä, henkisen pääoman kasvu kuvaa koulutustason nousua ja fyysisen pääoman kasvu pääomakannan kasvua suhteessa työllisten määrään. Maakuntien erot osoittautuvat suuriksi ja komponenttien vaikutukset eroavat maakunnittain.

Intangible capital agglomeration and economic growth: analysis of regions in Finland

Hannu Piekkola (University of Vaasa)

Working from a large, linked employer–employee dataset, mixed firm and regional-level strategies related to organizational, R&D (research and development) and ICT capital (information and communication technologies) are analyzed and how they explain economic performance. Proxy variable regressions for Finland from 1998 to 2011 yield robust evidence that internal knowledge in the form of own account organizational, R&D and ICT capital promotes productivity and profitability. The firm-level strategies employed are also influenced by localization effects and agglomeration effects are stronger for productivity than for wages. The recent policy recommendations based on R&D as the preferred type of innovative work ignore the need to invest in core internal organizational and ICT knowledge.

Session 3c: Taxes II

Non-linear dividend tax and dynamics of the firm

Seppo Kari (Government Institute for Economic Research–VATT), Jussi Laitila

We analyze the implications of a non-linear tax scheme for dividends using a life-cycle model of a firm. In this model new firms first enter markets, then invest and grow financing from retained earnings and finally distribute their profits in the steady state. We find that under a non-linear tax the owners prefer a smooth flow of dividends which encourages firms to begin distributions right from the start. This early distribution incentive (EDI) slows down investments and leads to delayed growth. Our simulations indeed confirm that a revenue-neutral switch from linear to progressive tax exacerbates production losses. We further demonstrate that this distortion can be reduced by carrying forward unused tax allowances with interest, as proposed e.g. by Mirrlees et al. (2011).

Specialists, generalists and firm-level price setting: evidence from consumption-tax reforms

Tuomas Kosonen (Government Institute for Economic Research–VATT), Jarkko Harju, Oskari Nordström Skans

The ability of standard economic theory to predict how firms adapt to changing economic conditions is likely to vary between different types of firms. Large firms, or firms belonging to chains or franchises that coordinate price setting, are likely to rely on price-setting specialists who may behave in accordance with standard economic theory. In contrast, small independent firms need to be run by “generalists” who simultaneously need to handle issues related to production and staffing are these firms are therefore more likely to be constrained in their optimizing behavior in a similar vein as optimizing individuals. Evidence from the price-impact of restaurant VAT-reductions in two countries supports this notion. Whereas large-firm restaurants and restaurant belonging to chains reduce their prices a lot, small independent restaurants mainly left prices unchanged in the short run, and a non-trivial fraction also increased their prices in the medium run.

Korotettujen poistojen hyödyntäminen

Sami Grönberg (Government Institute for Economic Research–VATT)

Tutkimuksessa selvitetään korotettujen poistojen käyttöastetta. Tuotannollisten investointien korotettu poisto mahdollistaa tiettyinä vuosina normaalista poiketen kaksinkertaiset poistot. Tämä kannustin pienentää investoinnista aiheutuvia kustannuksia voittojen aikaisemman verotuksen myötä. Todellisuudessa kuitenkin hyvin harva yritys on hyödyntänyt mahdollisuutta. Mahdollisia selityksiä alhaiselle käyttöasteelle ovat esimerkiksi yritysten tulosten tappiollisuus, kannustimen pienuus sekä suomalaisen osinkoverotukseen liittyvät erityispiirteet, kuten poiston vaikutus nettovarallisuuteen ja edelleen osingon verotukseen.

Session 3d: Macro Labour

General and Specific Skills, Unemployment and Shocks

Juuso Vanhala (Bank of Finland)

This paper constructs a matching model of the labour market, which incorporates general and specific skills of workers. The model is used to study the responses of different worker groups to shocks. Workers with general and specific skills share characteristics of young and older workers, for which our classification is used as a proxy. The study thus provides a framework with which the labour markets of youth and older workers can be studied.

JEL Classification: J21, J24, J64, E24, E32,

Keywords: Specificity, matching model, unemployment, unemployment duration

Centralized wage setting in a small open economy

Petteri Juvonen (University of Jyväskylä, JSBE)

This paper studies centralized bargaining in DSGE-framework in a two sector open economy that belongs to a monetary union. Wages are set by sector specific unions that anticipate the effects of their wage demands on aggregate variables. We study if coordination between unions have welfare enhancing effects.

Wage effects of firm size and bargaining mode

Matthias Striffler (University of Jyväskylä, JSBE), Jaakko Pehkonen, Sampo Pehkonen, Mika Maliranta

We analyze the impact of firm-size on wages using a large register data on workers matched with their employing firms. Our results indicate that the positive relationship between firm size and wages can be explained away by a rich set of observables on workers and firms together with time-invariant unobserved individual heterogeneity. Our results confirm the notion that the firm-size wage premium should lower with collective bargaining institutions. Furthermore, we find evidence of local profit sharing, both the bargaining mode and local unemployment affecting wages.

Session 3e: Emerging Markets

Powerful parents? The local impact of banks' global business models

Karolin Kirschenmann (Aalto University), Ralph De Haas

In this paper we use unique information from over 400 face-to-face interviews with bank CEOs to shed new light on how global banks operate an internal capital market to steer the lending of their foreign subsidiaries. Our focus is on emerging Europe, a region with one of the highest levels of cross-border banking integration. We document substantial variation across global banks in the financial management of their subsidiaries and find that this variation is largely orthogonal to banks' funding structure, such as their capitalization and use of wholesale funding. We show that before the crisis, at the height of the credit boom in emerging Europe, the main characteristic that mattered for credit growth was whether the parent bank was able to provide a subsidiary with cheap funding. This is what gave these banks a competitive advantage vis-à-vis foreign banks with less powerful parents. However, when we analyze credit growth in 2009-11, various business-model indicators impact local bank lending. Our results suggest that active internal capital markets were the conduits through which (cheap) parent funding was channeled to subsidiaries, thus fuelling local credit growth. Matching our data with bank branch information and firm-level survey data, we find supportive evidence that in areas where more foreign banks had access to cheap parent funding, credit constraints for firms were less tight.

Financial development and the pattern of industrial specialization: regional evidence from China

Quing He (Renmin University of China), Chang Xue, Chenqi Zhu

The paper investigates how financial development can influence the patterns of industrial specialization across China's regions. We find that industrial sectors that need more external finance are disproportionately agglomerated in regions with more developed financial market. Moreover, we find that both foreign direct investment (FDI) and informal financing channels play a dominant role in shaping the patterns of industrial specialization in China. Proxies for formal financial markets, e.g. banking system and capital market, in contrast, have few effects on regional industrial agglomeration. Our results on the role of financial development remain robust to the use of instrumental variable estimation and to control for other traditional determinants of regional specialization.

Does money buy credit? Firm-level evidence on bribery and bank debt

Zuzana Fungáčová (Bank of Finland), Anna Kochanova, Laurent Weill

This study examines how bribery influences bank debt ratios for a large sample of firms from 14 transition countries. We combine information on bribery practices from the BEEPS survey with firm-level accounting data from the Amadeus database. Bribery is measured by the frequency of making extra unofficial payments to officials to get "things done". We find that bribery is positively related to firms' bank debt ratios. We interpret this finding so that bribery encourages firms' bank lending through bribes given to bank officials. This impact differs with the maturity of bank debt, as bribery contributes to higher short-term bank debt

ratio but hampers long-term bank ratio. Finally, we find that the institutional factors of the banking industry influence the relation between bribery and firms' bank debt ratios. Greater financial development reduces the positive effect of bribery, while higher market share of state-owned banks has the opposite effect. Foreign bank presence also affects the impact of bribery even if this effect depends on firms' bank debt maturity.

Session 4a: Health II

Smoking and long-term labor market outcomes

Petri Böckerman (Labour Institute for Economic Research–PT), Ari Hyytinen, Jaakko Kaprio

Object: To examine the long-term effects of smoking on labor market outcomes using twin data matched to register-based individual information. Method: Twin data for Finnish men born 1945-1957 was used to remove the shared environmental and genetic factors. The results were subjected to extensive robustness testing. Lifetime cigarette consumption was measured by (cumulative) cigarette pack years in early adulthood. The average of an individual's wage and salary earnings (and, alternatively, taxable income) were measured over a subsequent 15-year period in later adulthood. Results: Smokers have lower long-term income and earnings. For example, controlling for the shared environmental and genetic factors using the data on identical twins, smoking is negatively associated with lifetime income (p-value=0.015). The negative association was also robust to the use of various covariates, such as education, alcohol use, health status, body mass index, and extraversion. Conclusions: Smoking is negatively related to long-term labor market outcomes. The provision of information about the indirect monetary costs of smoking may thus complement the policy efforts that aim at educating consumers about the health costs of smoking.

Suicide and unemployment: evidence from the regional level data in Finland 1990-2010

Sanna Huikari (University of Oulu), Marko Korhonen

We explore the relationship between the regional unemployment rate and suicide mortality with disaggregated data across gender and age in Finland during 1990-2010. It is found that suicide mortality is counter-cyclical for both genders. The effect of possible future job loss plays significant role especially for the working-age male suicides. We also provide some evidence that there are asymmetries between positive and negative unemployment shock. Finally, we could not find any evidence that the recent financial crisis would have raised suicides.

Multimarket conduct in pharmaceutical markets

Markku Siikanen (Aalto University and HECER)

This study focuses on the link between hospital pharmaceutical markets and retail pharmaceutical markets in Finland. Reference pricing policy is constructed in a way it should not have an effect to the hospital markets but data from pharmaceutical procurements does not support this. Purpose of this paper is to empirically test

whether the reference pricing policy of the retail markets has effects in the hospital markets. Using procurement data from public hospitals, an identification strategy based on differences-in differences methodology is proposed. Forthcoming paper is the first paper which tries to answer the question if retail and hospital pharmaceutical markets are interdependent. Preliminary results show that reference pricing had an effect to hospital prices.

Session 4b: Forecasting

Multi-step forecasting in the presence of breaks

Jari Hännikäinen (University of Tampere)

This paper analyzes the relative performance of multi-step forecasting methods in the presence of breaks and data revisions. Our Monte Carlo simulations indicate that, in general, the iterated method performs the best in unstable environment. This is a robust finding that holds regardless of whether the revisions add news or

reduce noise, or whether we forecast first-release or final values. Intercept corrections and the direct method have most potential when parameters are subject to a large break. Our findings are consistent with the view that, in most cases, the error component dominates the bias component in composition of the MSFE values in unstable environment.

Micro level analysis of the ECB SPF inflation forecasts

Sami Oinonen (Bank of Finland), Maritta Paloviita

This paper analyses short run and long run inflation expectations in the euro area using the ECB Survey of Professional Forecasters panel data on a micro level. We examine both point forecasts and individual uncertainties, which are based on subjective probabilities. In the analysis we pay special attention to forecast revisions, changes in participation rate and changing panel composition. The results indicate that in general aggregated forecasts based on unbalanced survey data are quite reasonable proxies for central tendency of inflation expectations. However, in order to interpret the evolution of expectations properly in the case of individual uncertainty and after extraordinary shocks, a more detailed micro level analysis of survey information is needed.

Session 4c: Public Finance

Political accountability with voter heterogeneity and expressive voting motives

Jenni Jaakkola (University of Turku)

This paper analyses a political accountability framework with a heterogeneous electorate. There is asymmetric information between the politician and the electorate, but also within the electorate. Furthermore, some voters may have expressive voting motives. The politician's task is to set a statedependent policy, and he is motivated both by making good policy and holding office. I show that the incentive to pander to public opinion is dependent on the accuracy of the information the players possess. Furthermore, the results show how the existence of educated and informed voters is enough to reduce the incumbent's incentives to pander to public opinion, even if their share is not high enough to ensure the incumbent's re-election. This result is in contrast with the findings of the median voter literature.

What matters for the fiscal impact of immigration?

Essi Eerola (Government Institute for Economic Research–VATT), Matti Sarvimäki

We examine the impact of immigration on public finances using an overlapping generations model of a small open economy. We build on Storesletten (2003) and extend his model by carefully modeling the pattern of return migration. Our model contains a detailed description of the public sector, in particular the social security system. We use the model to study the effects of migration in Finland. We are especially interested in the relative importance of different channels through which immigration affects the public finances.

Session 4d: Labour III

Regional and industrial mobility of the high technology labour

Rauli Svento (University of Oulu)

In this paper we attempt to throw some light on how regional amenities and industrial agglomeration are related to high technology labour mobility. In order to do this we employ panel data on the regional and industrial labour mobility of the Finnish high technology firms and regional economies from 1990-2007. Analyzing this dataset allows us to identify the different roles which the structure of the high technology sector, regional economic and amenity variables play in the labour mobility of high technology workers. We estimate different types of models using logit estimation method.

Productivity and services–safety telephone services for the elderly

Sole Molander (TBA)

Increasing productivity of services has become popular. This study advances productivity improvement modeling. Safety telephone services are an important part of today's structure of elderly care. With the help of technology, customer expectations can be followed quickly and easily. The study examines 2830 safety telephone alarm calls. The empirical results show that in 76% of calls the services provided did not meet customer expectations. A solution was found, in which value creation for customers also produces organizational efficiency and thus increases productivity.

Vähintään 300 päivää työttömänä olleiden työmarkkinatukea saavien työllistämistä koskeva hallituksen esitys ja kuntien rooli

Pekka Tiainen (Ministry of Employment and the Economy)

Kysymys koskee sitä, voidaanko työmarkkinatukien maksatus ja työllistäminen siirtää kunnille 300 päivää

työttömän olleiden työmarkkinatukea saavien kohdalla. Hallituksen kehysriihen tuloksena tuli kirjaus: "Kuntien rooli ja vastuu pitkäaikaistyöttömyyden aktiivisessa hoidossa korostuu. Työmarkkinatuen rahoitusuudistuksella luodaan mahdollisuuksia yli 300 päivää työmarkkinatuella olleiden pääsyyn aktivointitoimenpiteiden piiriin. Tämä toteutetaan vuoden 2015 alusta osana kuntien tehtävien arviointia ja työllisyyspolitiikan vastuunjaon tarkistusta". Esityksessä selvitetään, mistä tässä toimenpidelinjauksessa on kyse. Sen rinnalla ja laajenuksena esityksessä selvitetään asian tausta yhteydessä työllisyysaste- ja työttömyysastetavoitteisiin sekä niihin muihin toimiin, joita on tehty nuoriso- ja pitkäaikaistyöttömyyden suhteen (nuorisotyöttömyys 3 kuukauteen, pitkäaikaistyöttömyyden tukikokeiluun, vastavalmistuneiden 25 vuotta täyttäneiden työttömyyteen sekä muihin toimiin, joita on lukuisia eri tyyppisiä. Esityksessä peilataan kysymystä suhteessa työllisyyspolitiikkaan ja aktiivisen työvoimapolitiikkaan ja kysymykseen keynesläisestä työttömyydestä yhdistyneenä rakenteelliseen työttömyyteen ja työvoiman tarjonnan kysymyksiin, suhteessa kansainvälisiin kokemuksiin, kuten Tanskassa (kunnallistettu työllisyyden hoito), Saksassa ja Ruotsissa ja osin muualla saatuihin työllisyys- ja työvoimapolitiikan kokemuksiin sekä suhteessa keskusteluun työllistämisestä tuilla ja muilla toimilla, negatiiviseen tuloveroon ja muihin verotustoimiin sekä toisaalta perustulokeskusteluun ja työelämää koskeviin kysymyksiin kuten minimiehtoihin ja perusturva- ja ansioturvakysymykseen. Periaatteellisena kysymyksenä tarkastellaan sitä, voidaanko ja miten voidaan työllisyyden hoitoa parantaa työllisyys- ja työvoimapolitiikan keinoin sekä tämän asian yhteyttä työttömyyden kustannusten vähentämiseen ja valtion velan hoitoon.

Session 4e: Theory II

Mitri Kitti (University of Turku)

Degree of economic sustainability in the management of renewable resources

This paper concentrates on the trade-off between optimality and economic sustainability in the management of natural resources. Economic sustainability refers to sustaining payoffs rather than stocks. As demonstrated in the paper, resource management problems involving fluctuating stocks may not have sustainable policies unless some violations for sustainability are accepted. The problem of maximizing discounted payoffs under the constraint for the largest accepted violation for sustainability is analyzed. A necessary and sufficient condition for optimal policies is given. The optimal policies are utilized in defining an index for measuring the degree of overall sustainability of resource management problems.

Organisational form and individual motivation: public ownership, privatisation, and fat cats

Johan Willner (Åbo Akademi University), Sonja Grönblom

We add potential intrinsic motivation to an agency model that is applied on public ownership and privatisation. Conventional agency theory suggests private ownership to be superior if pay under public ownership is not performance-related, but the ranking is otherwise reversed. However, we predict that motivation crowding out (MCO) can cause performance differences to go either way in both cases. Fat-cat salaries occur if public ownership with intrinsic motivation and a fixed wage is followed by privatisation with MCO, performance-related pay, and a lower effort. The analysis also identifies factors that affect the performance of a given type of organisation.

From ideals to deals - the impact of arbitration experience on negotiation behavior

Topi Miettinen (Hanken School of Economics), Marja-Liisa Halko

In this paper, we study bilateral negotiations without side-payments in the presence of asymmetries in negotiators' private endowments. Both negotiators and arbitrators may influence the outcome. The negotiation choices by stakeholders are strategic; the arbitrator choices are non-strategic and dictatorial. We are interested in the impact of past arbitrator experience on negotiation choices and the impact of past negotiator experience on arbitration choices. We find that ex-arbitrators ending up in the poor negotiator role call for substantial redress in negotiations, much more so than poor negotiators without arbitrator experience. Moreover, ex-arbitrators ending up in the rich negotiator role are not willing to conceive more than rich ex-arbitrators without arbitration experience. Thus arbitration experience flings an asymmetric, self-serving effect on negotiation behavior. The effect partially vanishes over time. The arbitration outcomes do not depend on the asymmetries in the previous negotiator roles.

Participants

Name	Affiliation
Jukka Ala-Peijari	Euronomics Oy
Kaisa Alavuotunki	Aalto University
Manuel Bagues	Aalto University
Artturi Björk	Aalto University
Petri Böckerman	PT
Essi Eerola	VATT
Zuzana Fungacova	Suomen Pankki
Robert Gillanders	Aalto University
Sami Grönberg	VATT
Mika Haapanen	University of Jyväskylä / JSBE
Markus Haavio	Bank of Finland
Jarkko Harju	VATT
Oskari Harjunen	Aalto yliopisto/VATT
Teemu Haukioja	University of Turku, Pori
Qing He	Renmin University of China
Joni Hokkanen	Terveyden ja hyvinvoinnin laitos (THL)
Sanna Huikari	University of Oulu
Hannu Huuki	Oulun yliopisto
Antti Hyvärinen	University of Helsinki
Jari Hännikäinen	University of Tampere
Ikonen Pasi	Bank of Finland
Marlène Isoré	University of Helsinki
Juha Itkonen	University of Helsinki
Tor Iversen	University of Oslo, Institute for Health and Society
Jenni Jaakkola	University of Turku
Esa Jokivuolle	Bank of Finland
Markku Jutila	Tilastokeskus
Petteri Juvonen	University of Jyväskylä / JSBE
Panu Kalmi	Vaasan yliopisto
Santtu Karhinen	Oulun yliopisto
Hannu Karhunen	Jyväskylän yliopiston kauppakorkeakoulu
Seppo Kari	VATT
Kari Kempainen	Bank of Finland
Karolin Kirschenmann	Aalto University School of Business
Mitri Kitti	University of Turku
Maria Kopsakangas-Savolainen	Finnish Environment Insitute and University of Oulu
Iikka Korhonen	Bank of Finland
Tuomas Kosonen	VATT
Kaisa Kotakorpi	University of Turku
Mauri Kotamäki	Valtiovarainministeriö

Participants

Name	Affiliation
Samu Kurri	Suomen Pankki
Virpi Kuvaja-Köllner	Itä-Suomen yliopisto
Jani-Petri Laamanen	University of Tampere
Tuomas Laiho	Aalto University
Marita Laukkanen	VATT
Heikki Lehkonen	University of Jyväskylä, JSBE
Markku Lehmus	Palkansaajien tutkimuslaitos
Teemu Lyytikäinen	VATT
Terhi Maczulszki	University of Jyväskylä
Tuomas Malinen	University of Helsinki
Jari-Mikko Meriläinen	University of Vaasa
Sole Molander	–
Vuokko Mustonen	Valtiontalouden tarkastusvirasto
Mika Nieminen	University of Jyväskylä
Satu Nurmi	Statistics Finland
Elias Oikarinen	University of Turku
Sami Oinonen	Bank of Finland
Petri Palmu	Ammattiliitto Pro
Yao Pan	Aalto University
Paul Pavitra	University of Eastern Finland
Tuomas Pekkarinen	Government Institute for Economic Research – VATT
Piia Pekola	KELA
Hanna Pesola	VATT
Hannu Piekkola	University of Vaasa
Matti Pihlava	University of Turku
Petteri Rautaporrass	Teknologiatoimintakeskus ry
Terhi Ravaska	University of Tampere
Antti Ripatti	University of Helsinki
Pekka Rissanen	University of Tampere
Olli Ropponen	Government Institute for Economic Research - VATT
Seppo Ruoho	Freelancer
Enni Ruokamo	Oulun yliopiston kauppakorkeakoulu
Osmo Ruuskanen	Itä-Suomen yliopisto
Tuukka Saarimaa	VATT
Antti Saastamoinen	Aalto University
Hannu Salonen	University of Turku
Matti Sarvimäki	Aalto-yliopisto ja VATT
Allan Seuri	Tampereen yliopisto
Markku Siikanen	Aalto University
Eero Siljander	Terveyden ja hyvinvoinnin laitos - CHESS/THL

Participants

Name	Affiliation
Laura Solanko	Bank of Finland
Robin Stitzing	Aalto University
Kjetil Storesletten	University of Oslo
Matthias Strifler	Jyväskylän yliopisto
Niko Suhonen	Itä-Suomen yliopisto
Rauli Svento	University of Oulu
Jaakko Sääsکیlahti	Jyväskylän yliopisto
Tuomas Takalo	Bank of Finland & KU Leuven
Anni Talvitie	University of Jyväskylä
Hannu Tanninen	University of Eastern Finland
Juha Teirilä	Oulun yliopisto
Marko Terviö	Aalto University
Timo Tiainen	–
Pekka Tiainen	TEM
Mervi Toivanen	Suomen Pankki
Anu Tokila	Keski-Suomen liitto
Elina Tuominen	University of Tampere
Jarno Turunen	Työterveyslaitos
Antti-Jussi Vahteala	Itä-Suomen yliopisto
Jari Vainiomäki	University of Tampere
Juuso Vanhala	Bank of Finland
Jouko Verho	KELA (tutkimusosasto)
Fabio Verona	Suomen Pankki
Jutta Viinikainen	University of Jyväskylä
Saku Vähäsantanen	University of Turku, Pori
Antti Väisänen	THL
Johan Willner	Åbo Akademi
Ilkka Ylhäinen	Jyväskylän yliopiston kauppakorkeakoulu
Natalia Zinovyeva	Aalto University