

ENGLISH SUMMARIES

TOR ERIKSSON: *Labour supply, Working Time, and Labour Input in the Future.*

Labour supply forecasts are usually concerned with the number of people expected to be in the labour force in future years. This article looks at the future development of the total labour input. In other words, not only changes in the number of people but also changes in working times are taken into account.

According to our projections for the next two

JUHANA HUKKINEN: *Finland's Export Success in the USSR Market.*

This article describes the development of Finnish exports to the Soviet Union and examines, with the aid of market share analysis, the success of Finland and the most important OECD countries, from Finland's perspective, in export trade with the Soviet Union. In market share analysis, export success is equated with changes in market share, and distinction is drawn between structural and competitive factors. Structural factors consist of the structure of commodity, or business sector, exports as well as factors related to the commodity structure of exports to targeted market areas. Competitive factors are other factors that affect export success.

The fluctuations in trade and payment flows between Finland and the Soviet Union have been wider in the 1980s than previously. Despite the presence of special export-supportive arrangements (purchase-resale trade, Bank of Finland claim-holding, long term export credits and exchangeable currency trade), Finland's exports to the Soviet Union fluctuated widely in the 1980s. These fluctuations caused the most trouble for business sectors whose exports to the Soviet Union account for a large part of total sector output. These are especially the industrial sectors producing ships, footwear, and textiles and clothing.

In regard to Finland's success in exporting to the Soviet Union, it can be shown that the commodity structure of its exports did not change in line with the changes that took place in Soviet imports from

decades, the demographic changes will lead to a decline in the number of labour hours supplied. This decline will be reinforced if the current trend towards shorter annual working times continues, or if recently negotiated working time reductions become effective. A decreasing supply of hours will in all likelihood affect both the sustainable rate of economic growth and the functioning of the labour market. Thus, the changes will bring about a completely new situation in the Finnish economy.

the West during the period 1970—1986. In this regard, the business sector structure of Finland's exports to the Soviet Union has been the most rigid of all the OECD countries. It is true that the sectors of Western exports to the Soviet Union that increased in market share included those sectors where Finland has traditionally been strong. However, Soviet demand moved even more clearly toward certain other sectors of Western imports, such as metals, industrial equipment and specialized machinery. Despite this trend Finland's share has clearly grown faster than those of other OECD countries because of its ability to dominate markets in its traditional trade sectors, such as ships, clothing, paper and pulp and footwear.

Since 1981 Finland has not been able to hold the market share of Soviet trade that was achieved in 1980 and 1981 as a result of rising oil prices and the clearing system used in such trade. Its market shares in traditionally strong export sectors have fallen since then, in this case largely because the trend in oil prices has reversed itself.

Growth in market share and in exports during the period 1970—1981 has in itself been to Finland's advantage. But one possible problematic aspect of this development has been the fact that the growth in Finnish exports has been channeled into those slowly growing sectors of Soviet imports from the West. It is, however, impossible to say to what extent Finland would have been successful in the sectors of greatest expansion in Soviet trade with the West.

Comparison of the structural change that has taken place in Finnish exports to the Soviet Union

with those that have taken place in its other exports indicates that the former have undergone more diversification than the latter. However, Soviet import demand has changed so much more than has Western import demand that Finland's adjustment to structural change, in terms of market shares, has been noticeably slower in Soviet markets than in other markets. This being the case, it is possible that the rigidity in the structure of Finland's ex-

ports to the Soviet Union is a detrimental factor in export trade. In addition, at least for the time being, exports that take place within the clearing system framework are restricted by limited importing possibilities as well as by the claim repayment process off Finnish claims. In these circumstances, the preservation of Finland's market share and level of exports may prove to be difficult.

ERKKI KOSKELA: *Domestic Saving, Financial Markets and Tax Policy.*

This paper starts by outlining some reasons which have contributed to a recent huge rise in the current account deficit in Finland. After that we turn to evaluate — partially in the light of empirical evidence — the effectiveness of certain budget and tax policy instruments from the point of view of increasing domestic saving. We present arguments for the view that reducing government expenditures and decreasing tax deductibility of borrowing expenses are effective instruments, while e.g. specif-

ic and general tax treatments of household savings are not. In the final part of the paper the issue of housing subsidies is dealt with. Taking e.g. the case with tax deductibility of borrowing expenses there are at least two major problems: First, they are regressive. Second, and very importantly, their incidence falls partly negatively on rental households and partly positively on landowners and building companies, while ownerhouseholds lose some of the subsidy via the rise in the price of houses. The paper ends up with a brief discussion about consequences of financial market liberalization.

JUKKA PEKKARINEN: *Change and Stability in the Conditions of Economic Policies in Finland.*

Starting from the assumption that securing the conditions of investment plays a key role in the economic policies in a market economy in general, the history of economic policies in Finland can be divided into successive regimes depending on, by which means this investment guarantee is provided. Under the first regime that prospered until the Second World War, labour was largely excluded from economic policies, which was based on close ties between state and industry. In the post-war period, this unbalanced representation of interests in economic policy making came under increasing pressure, as the strength of labour increased, both as a scarce factor of production and as political power.

After a period of conflicts, which were reflected in economic instability and high inflation, the increasing strength of labour improved the balance

in the representation of interests and paved the way for a corporatist regime where state, capital and labour agree in central negotiations on the main outline of wages, income distribution and economic and social policies.

In Finland, the good economic performance in the 1980s may provide an example of the positive results of the corporatist regime. Outlook for the 1990s suggests, however, weakening corporatism. Among the forces eroding the corporatist system, the paper pays special attention to the ongoing internationalisation of industry. This means, inter alia, that capital is increasingly offered an exit option in centralised negotiations on the national level. In wage bargaining this implies increasing decentralisation tendencies. While the decreasing autonomy of stabilisation policies increases state's interest in incomes policies, a remainder of corporatism may still survive as state imposed incomes policies. But it is highly questionable whether this regime turns out to be sustainable.