

English Summary

JAAKKO PEHKONEN: *Empirical wage equations: a survey of the literature*

The study surveys the empirical evidence for Finland about wage formation by reviewing studies which present results from the estimation of a wage equation. Issues addressed in the study include the following: factors underlying long-term real wage growth; the impact of social security contributions and personal taxes on real wages; and the role of labour market institutions in wage formation. The results for the wage equations can be divided into three major groups: (i) results which are fairly ro-

PEKKA SUTELA: *Privatization in Eastern Europe*

The goals and selected methods of Eastern European privatization policies are frequently misunderstood in Western discussions. Contrary to British and other experiences, the question in Eastern Europe is not about a marginal change within a given economic system, but about creating the proper institutional framework for a market economy. After a characterization of the main views of mainstream economic theory on property rights and privatiza-

JUHANA VARTIAINEN: *Economic Policy and Corporatist Decision-making in Finland.*

It has become customary to characterise Finnish economic policy as corporatist and to emphasise the influence of powerful labour market organisations on economic policy. This paper argues that corporatism as such is not new in Finland. Public intervention in the

bust and about which there seems to be a consensus (results concerning the elasticity of real wages with respect to unemployment and productivity growth, respectively); (ii) results which must be interpreted with care because of considerable variation across different studies (the impact of payroll taxes and income taxes on real wages); and (iii) results whose robustness, due to the small number of studies addressing the issues in question, cannot be assessed adequately (results concerning the role of reductions in working-time, labour market policies and the institutional arrangement of the labour market).

tion, the article surveys the true character of property rights under traditional central planning and their further dissolution in the course of reforms that aimed at a decentralization of state property rights.

There cannot be any doubt that a redefinition of property rights is an absolute priority in the policies of transition from a centrally managed economy to a market economy. There are good reasons why privatization is the only relevant solution available. Given this, the article ends up by surveying the major options open in the design of privatization policies.

economy has always reflected the aspirations of powerful business organisations and key decisions have been made outside the institutions of parliamentary politics. This assertion is supported by descriptions of some important episodes in Finnish economic policy such as the introduction of credit rationing and the rejection of Keynesian fiscal policies.

ILKKA KAJASTE: *Finland in the European Division of Labour.*

Economic integration deepens the international division of labour according to the comparative advantages of each country involved. Traditionally, Finland has had a comparative advantage in the forest industry, which is the most important export sector in the trade with the EC. Therefore, it has been argued that European integration would further strengthen the competitive position of this sector and accentuate its traditional dominance in Finnish manufacturing. In the article the validity of this common type of reasoning is questioned.

The assessment of comparative advantages of different countries and branches is based on material produced in integration studies made in the EC and EFTA countries. In each of these studies, where the structural impact of European integration on manufacturing was evaluated, the same basic methodology was applied so that the results are comparable. Thus, by bringing together the results of these, separate country studies it is possible to get an overall picture of the pressures towards structural change in European manufacturing due to the integration process. The outcome of this is that

TIMO MÄÄTTÄ and MATTI PALO: *The feasibility of commodity futures and options on Finnish round wood and lumber trade.*

A futures contract is an order, given in advance, to buy or sell a given commodity or financial asset on some future date at a fixed price agreed upon today. Trading in commodity future contracts includes many commodities such as oil, lumber, silver, wheat etc. Although the price in the futures contract transaction is predetermined, the final payment is made only on the future date. The futures transaction, however, involves a payment of a margin and daily cash settlement. A big advantage of buying the futures contract rather than the commodity is that only a small margin has to be paid on the purchase date. Hence with a small amount of money one can control a large volume of interest. An option is a right but not an obligation to buy or sell a given amount of the underlying commodity of futures contract at a given

in Finland these pressures seem to be rather significant in comparison with the other EC or EFTA countries. During the 1980's there has been a shift in Finland's comparative advantage towards industry sectors in which skilled labour is an important factor. Also, the competitive positions of sectors in which factor intensities are low have improved. On the other hand, Finland's competitiveness has weakened in the labour intensive sectors.

According to the trade flow and specialization indicators it seems that also the comparative position of the Finnish forest industry has deteriorated somewhat during the 1980's. This probably reflects the ongoing structural change of this sector, which increasingly emphasises the importance of market orientation (toward the EC area) and alternative sources of raw material (waste paper fibre). The forest industry gains no significant advantages from the current integration process. Therefore, it seems likely that European integration would strengthen the positions of other industrial sectors, according to the shift in comparative advantages. The final outcome of integration will be a more diversified industrial structure in Finland.

price (striking price) on or before a specific date.

Based on this research the use of commodity futures and options can be recommended for Finnish lumber and round wood trade with certain prerequisites. With futures and options it would be easier to hedge against price fluctuations and to find a competitive market price. The establishment of the commodity exchange and clearing house would induce some costs, but some expenses could be cut if the use of collective price recommendations were given up in the round wood trade.

Finland should prepare for the European integration by allowing free competition in its markets before the EC directives force this. A commodity exchange would be one solution in the forest sector. The price of round wood can no longer be seen as a factor determining the income of forest owners but instead as a device reflecting the prevailing market situation.

JUSSI HIRVONEN: *Towards a new methodology for econometrics? An interview with Aris Spanos*

Aris Spanos is known to economists and econometricians mainly because of his textbook, *The Statistical Foundations of Econometric Modelling*, published in 1986. Born in Cyprus in 1952, Spanos studied in the London School of Economics during 1973—1979 and is currently working at Virginia State University and Polytechnical Institute. He visited Finland in August 1990, and gave a lecture in a seminar of The Finnish Society for Economic Research. The subtitle of the lecture was 'beyond the LSE tradition', and we decided to ask where and why.

In the interview Spanos describes the exiting atmosphere in the LSE in the beginning of the 80's. The LSE-approach to econometric modelling was gaining dominance at British universities, »there was something in the air«. He set himself the task of providing a sound statistical framework for this tradition, and formulated already in his textbook the Haavelmo

reduction framework, which he has elaborated in several articles. Although Aris Spanos felt he was working within the LSE tradition, he soon realised that his main ideas were not accepted. He describes the proposed framework, and how to apply this unified approach to teaching and applied research. The proposed framework has been applied not only to the modelling of aggregate time series but also to panel data and individual choice models. In spite of his emphasis on the statistical foundations he sees graphical methods, i.e. data plots, as essential tool for applied research. The point is in connecting these plots with the assumption underlying the statistical model, and the Haavelmo reduction framework is supposed to do exactly this.

Spanos also comments on recent developments in microeconometrics, the role of the history of econometrics in understanding present difficulties and his own articles on Haavelmo's 1944 classic paper and on the early empirical findings on the aggregate consumption function.