

English summaries

MIKA WIDGRÉN: *The Power of Brussels is a National Compromise of High Degree.*

This study investigates national power in the EC decision making process. The analysis concentrates on the Council of Ministers, in which member states' votes are weighted.

The analysis of this study utilizes cooperative game theory. Two different aspects of power have been distinguished: the effect on the outcome, i.e. the probability that one's vote will make a difference in the group decision, and group-individual agreement, i.e. the probability that the group decision will agree with one's decision and that it will prevent an action if one votes against and accomplish an action if one votes in favour.

The results reveal that the decision making process of the European Community favours the small countries. Their relative power with

respect to population is much larger than the power for the largest members. It seems that the enlargement of the EC by the entry of new members turns, however, the power voting weight ratio, i.e. power coefficient, to be an increasing function of the voting weight, which is a typical phenomenon in weighted voting games. The slope of the function is, however, very small.

The most of the questions in the EC Council of Ministers are solved by qualified majority voting. Although unanimity is not required, it is easy to prevent an action, but difficult to push one through. For a proposal to pass voters' homogeneity is needed. Since it can be reached by bargaining, this implies that compromises decrease remarkably the possibilities to prevent an action and thus makes it more likely for a proposal to pass.

ANDERS KJÄLLMAN and TIMO VÄLILÄ: *Transformation of Planned Economies and the Need for Risk Capital.*

This paper emphasizes the important role of capital markets in the transformation process from a planned economy into a market economy. Through implementation of privatization the eastern Europe economies are seeking to improve efficiency, and to create new markets. The transformation process requires investments, and thereby a need for capital. Well functioning financial markets that are able to efficiently allocate risk capital are therefore of vital importance for the continued develop-

ment. Without any competitive financial market the transformation process will not be successful. In the short run the transition will create macroeconomic instability, but in the long run a financial market — based on the market forces — will have to be established.

The most crucial problem for the Polish banking system is the estimated 40 percent share of »bad loans». This reduces available risk capital, creates mistrust and promotes macroeconomic instability. However the importance of a functioning capital system can not be ignored. The liberalization and privatization of the financial market have to continue, even if the price is high.

JAANA LEHTILÄ: *Changes in the Amount of Unemployment Have Long Term Impacts in the Economy.*

The unemployment theory called hysteresis theory and two different explanations of unemployment, neoclassical theory and insider theory, can be used to indicate how changes in unemployments affect the economy. The hysteresis theory shows this process in macroeco-

nomic ways while the insider theory relies more heavily on the tools of microeconomics. The conclusion is that if the amount of unemployment rises, it will remain high for some time. So, there must be some deep thinking before taking certain political actions that will cause the aggregate amount of unemployment to rise.