



HELSINGIN YLIOPISTO
HELSINGFORS UNIVERSITET
UNIVERSITY OF HELSINKI

Annual Report January- September 2008



**Research Unit of Economic Structures and Growth (RUESG)
Department of Economics
Faculty of Social Sciences
University of Helsinki**

Research Unit of Economic Structures and Growth

Department of Economics, University of Helsinki

Annual Report Concerning January-September 2008

Director:

Erkki Koskela, Academy Professor

Team Leaders in 2008:

Erkki Koskela, Academy Professor

Pentti Saikkonen, Professor of Statistics

Rune Stenbacka, Professor of Economics

home page: <http://www.valt.Helsinki.fi/raka/>

RUESG is funded jointly by the Academy of Finland, University of Helsinki, Bank of Finland, Nokia Group and the Yrjö Jahnsson Foundation. During this year we have used the funds by University of Helsinki, Nokia Group and the Yrjö Jahnsson Foundation. In Finnish RUESG is called RAKA (Talouden rakenteiden ja kasvun tutkimusyksikkö).

Overview

2008 has been, was the 14th year of operation for the Research Unit on Economic Structures and Growth (RUESG). RUESG is a research unit within the Department of Economics at University of Helsinki. Its goal has been to conduct top-level research in selected areas of economics (see the web pages of RUESG for details), train selected graduate students in their PhD studies and occasionally provide expertise on economic policy problems in Finland. The Academy of Finland nominated RUESG as a national centre of excellence in research in Finland for the years 2002-2007. Now we have continued still in 2008 to get new submissions of PhD theses for evaluation and new PhD degrees.

Research activity at RUESG continued at high pace and numerous research publications, papers, lectures and conference presentations were given by RUESG members also in 2008. 2 books, reports or edited volumes, 30 articles in refereed international journals (some of these only forthcoming later on) and 25 new working papers were published during 9 months of 2008.

RUESG people delivered a total of 47 invited lectures, seminars and contributed presentations. RUESG people also did quite a lot of either editorships and/or referees for various international journals. Concerning referee assignment in scientific journals RUESG people have provided 58 referee reports.

Of other scientific activity we mention that several people have had both international and domestic other scientific duties and served as experts in scientific and other organisations. 2 new PhD degrees were completed to the end of September 2008 and two other PhD proposals have now been accepted in September 3. A detailed report of the different RUESG activities is provided below.

RUESG activities have changed from the earlier years as follows: research co-operation of RUESG researchers has increased. Concerning HECER's (Helsinki Center of Economic Research) seminars RUESG team leaders have organized several of these: (i) Erkki Koskela will organize 14 seminars about Labour and Public Economics, (ii) Pentti Saikkonen will organize 10 seminars both about Time Series Econometrics (iii) Markku Lanne will organize 11 seminars about Time Series Econometrics and Macroeconomics and Development.

Currently, the personnel of RUESG consist of three professors, three visiting professors, four post-doctoral fellows and nine graduate students and three research associates (details are given below). All graduate students and four post-doctoral fellows have been full time researchers while the others have been appointed in positions with teaching and administrative obligations. Moreover, visiting professors visit RUESG. In addition to research, most of the full time researchers have taught individual courses or sections of courses in the university or some other institution. Erkki Koskela became the director of RUESG in March 2004 after Seppo Honkapohja and he has received Academy professorship over the period 1.8.2006 - 31.7. 2011.

Summaries of current research

In terms of brief characterization the research areas of RUESG are: (i) public, labour and natural resource economics, (ii) macroeconomics, industrial economics and real option theory and (iii) time series econometrics. These research topics will be done by graduate students, post-doctoral fellows, visiting professors and team leaders as well as by some foreign professors as research co-operators (see the web pages of RUESG for details).

Team leaders, visiting professors and postdoctoral fellows:

Erkki Koskela's research has focused in 2008 on the following topics: Using the real option theory approach he has studied the impact of progressive taxation on irreversible investment under uncertainty. Labour market analysis has focused on the relationship between profit sharing and equilibrium unemployment under imperfect product market competition and under outsourcing when profit sharing is a part of the workers' compensation scheme and the implications of strategic outsourcing on equilibrium unemployment under imperfectly competitive labour markets and wage solidarity. Labour taxation has been analyzed under unionized labour markets as well as the tax reforms under collective wage bargaining and individual effort determination. Outsourcing, labour taxation and equilibrium unemployment has been studied both under homogenous domestic and heterogenous domestic labour markets. He also worked on revisions of the manuscript "Economic Prosperity Recaptured: The Finnish Path from Crisis to Rapid Growth", which is joint work with Seppo Honkapohja, Willi Leibfritz and Roope Uusitalo. This has been accepted

for CESifo Book Series (to be published by the MIT Press). Koskela has maintained permanent research cooperation internationally (in Free University Berlin, Germany, with Jan König and Ronnie Schöb and in University of Umeå, Sweden, with Thomas Aronsson) as well as domestically.

Pentti Saikkonen has completed his work on the estimation of nonlinear autoregressions with GARCH errors. This work extends existing asymptotic estimation theory of these models to cover non-linearities in both the conditional mean and conditional variance. Saikkonen has also completed his work on univariate non-causal autoregressive models. He is currently studying multivariate extensions of these models which provide a new approach for modeling expectations. Saikkonen has also continued his long term project on testing cointegration and studied properties of likelihood ratio tests in a vector autoregressive model when there is uncertainty of the form of the deterministic trend.

Rune Stenbacka's research in 2008 has focused on characterizations and evaluations of product, labour and capital market imperfections in the fields of industrial economics, labour economics, financial intermediation and investment theory, intermediation and investment theory. Stenbacka has maintained permanent research cooperation internationally (Germany and United States) as well as domestically. He has analyzed product market imperfections within the framework of a wide spectrum of studies in industrial economics, for example, strategic outsourcing, switching costs and the dynamics of competition with customer relationships and competition and stability in banking markets. Studies in labour economics have had a particular focus on equilibrium unemployment in the presence of simultaneous imperfections in labour markets and credit markets. Studies in investment theory with a particular focus on real option approaches to adoption of new technologies

During the year 2008 the research of *Luis Alvarez* has focused in three different general topics. The first research subject has been the analysis of how Knightian uncertainty characterized by kappa-ignorance affects the optimal timing of irreversible decisions of a risk neutral, but uncertainty averse decision maker. The second topic has been the analysis of strategic interaction on optimal timing policies both within a zero sum game setting (Dynkin games) as well as on a more general non-zero-sum game framework (entry and exit games). The third topic has been to consider how unanticipated potentially large discontinuities in the cash flows of corporations affect the optimal dividend policy and the optimal timing of irreversible investment decisions. In these studies the emphasis has been the spectrally negative jump diffusions.

Heikki Kauppi's research in 2008 focused on: (i) dynamic modeling of discrete time series variables and (ii) investigating the determinants of EU budget allocations (with Mika Widgren). The latest empirical application within the project (i) studies the stability and dynamics of yield-curve based probit models for forecasting U.S. recessions. He is currently working on other extensions of dynamic models for discrete time series responses and on their empirical applications.

Markku Lanne's research activities has concentrated on applied financial and macroeconometrics. The joint project with Helmut Lütkepohl (European University Institute, Florence) on new ways of identifying structural vector autoregressive (SVAR) models continued. In the project with Pentti Saikkonen on noncausal autoregressive models, multivariate extensions were introduced. In a joint project with Katja Ahoniemi (Helsinki School of Economics), a new bivariate mixture model with time-varying mixture probabilities was introduced and applied to implied exchange rate volatility. With Helinä Laakkonen (University of Jyväskylä), he studied the importance of the phase of the business cycle on the effect of macroeconomic news announcements and their accuracy on exchange rate volatility. With Jani Luoto (University of Jyväskylä) he studied the formation of inflation expectations in the U.S.

Panu Poutvaara (professor (mvs)) has worked on a variety of topics in public economics and political economics, publishing 5 articles. His main projects analyzed emigration and return migration of Danes, international outsourcing under dual labor markets, and an empirical analysis of prospective and retrospective voting in Sweden, for which Mikael Elinder, Henrik Jordahl and Panu Poutvaara were awarded the Peggy and Richard Musgrave Prize for the best paper by authors younger than 40, presented in the International Institute of Public Finance annual congress. Poutvaara also visited Munich as CES Visiting Fellow in May-June. By the end of August, Poutvaara has given presentations in 7 conferences and workshops, and gave 5 invited talks. Poutvaara has also given interviews to television and magazines.

Juha Virrankoski's research has focused on search and matching models. His article "Search Direction and Wage Dispersion" (with Marja-Liisa Halko and Klaus Kultti) was published in *International Economic Review*, and his article "Who Searches?" (with Klaus Kultti, Antti Miettunen, and Tuomas Takalo) was published online in *Japanese Economic Review*. Both articles study equilibrium market structure in an economy where agents can either initiate or receive contacts. Virrankoski has studied intermediate institution in labor market with Marja-Liisa Halko and the duration of unemployment with Klaus Kultti and Antti Miettunen. He begun to study the problem of public provision of private goods at Public Choice Research Centre in Turku where he started in the beginning of May 2008.

Graduate students

Michal Kempa has completed an essay in his thesis titled "What Determines Commercial Banks Demand in the Interbank Market", which was published as the bank of Finland discussion paper in 2008. In the first six months of 2008, he was working on his recent paper "Liquidity crisis in the interbank market". During this time he also completed his PhD thesis for evaluation. His PhD defense is currently scheduled for Autumn 2008.

Ilkka Kiema during the first six months of 2008 completed his dissertation "Essays on the Economics of Intellectual Property Rights" and prepared himself for his subsequent employment as a visiting researcher at the Bank of Finland. Kiema's dissertation consists of three essays and an introductory chapter, and two of the essays received their final form already in 2007. During the first three months of

2008 Kiema finalized the third essay, "Commercial Piracy, Network Externalities, and "Intellectual Property Policy". After finalizing the introductory chapter, he submitted the manuscript of his dissertation to the Faculty of Social Sciences of the University of Helsinki on April 9, 2008. His PhD manuscript has already been accepted and the public defence should be by the end of 2008. One essay has been published in *Journal of Economic Behaviour & Organization*. Subsequently, Kiema has produced a detailed research plan for his visit to the Bank of Finland and, in preparation for the visit, deepened his understanding of both endogenous growth theory and the microeconomic models related to intellectual property rights.

Toni Nordlund has been continuing research on optimal investment under uncertainty and imperfect information by revising the papers, which have earlier been submitted as the doctoral thesis to official examination. The paper "Optimal Dynamic Management of R&D under Uncertainty" investigates optimal R&D investments in an industry where technological progress is associated with leapfrogging and the demand fluctuates randomly. The paper "Optimal Market Entry under Uncertainty and Asymmetric Information" applies real options in strategy to investigate optimal entry into a competitive market when there is both uncertainty and asymmetric information among the investors over the market profitability. The paper "Optimal Acquisition of Investment Information under Uncertainty" investigates the optimal acquisition of incremental information in the context of an irreversible investment opportunity that involves payoff uncertainty.

Janne Tukiainen started to work in RUESG 1.3.2007 after he worked as a GS-fellow in FDPE (Finnish Doctoral Programme in Economics) and was visited ECARES (European Center for Advanced Research in Economics and Statistics) in Brussels until 31.1. 2007. He spent the year 2008 mainly on finishing his PhD thesis. He submitted the thesis to pre-examination in May. The public defence should be by the end of 2008. The first essay will come out in the late autumn in *International Journal of Industrial Organization*. The other two essays were published as HECER discussion papers in spring. They will be sent to peer reviewed journals at the end of the year 2008. Tukiainen gave 8 presentations of which one was abroad. He will spend the last month and a half of the year visiting the Bank of Finland and will conduct a short post doc project there. Tukiainen has also planned his post doc research for the next three years. This research will be conducted under a joint affiliation of HECER and VATT.

Jouko Verho finalised his PhD thesis "Microeconomic Studies on Unemployment and Business Cycles" in the spring term 2008. He submitted the manuscript of his dissertation to the Faculty of Social Sciences of the University of Helsinki on June 2, 2008. His PhD manuscript has already been accepted and the public defence should be on November 7, 2008. Two of the essays in the thesis were also published as discussion papers. Jouko Verho continued his research using Swedish data on health and labour markets in collaboration with Per Johansson (IFAU) and Tuomas Pekkarinen (Helsinki School of Economics). In addition, he participated IZA summer school in Labor Economics and 3 other conferences and seminars.

Personnel

At the end of September 2008 RUESG had the following personnel:

Team leaders:³

Erkki Koskela
 Pentti Saikkonen
 Rune Stenbacka

Visiting Professors:⁴

Luis Alvarez
 Markku Lanne

Post-doctoral fellows:

Juha Virrankoski

Graduate students:⁵

Michal Kempa
 Ilkka Kiema
 Toni Nordlund
 Janne Tukiainen
 Jouko Verho

Research Associates:⁶

Heikki Kauppi
 Panu Poutvaara

Department Secretary:

Helena Gronow

³ Koskela is Academy Professor 1.8.2006 – 31.7.2011. Saikkonen is Professor of Statistics, University of Helsinki. Stenbacka is Professor of Economics in Swedish School of Economics and Business Administration (HANKEN), Helsinki and Professor of Industrial Economics, School of Business, Economics and Law, Goteborg University, Sweden.

⁴ Alvarez joined RUESG in October 2004. Main job as Professors of Quantitative Methods in Management at Turku School of Economics (Alvarez). Honkapohja was Professor in University of Cambridge from 1st March 2004 till the end of 2007. Lanne is now Professor of Economics in the University of Helsinki.

⁵ Jouko Verho has been on visits abroad at Uppsala Universitet, Sweden.

⁶ Kauppi has been nominated for professor in the University of Turku. Poutvaara uses Professor of Economics (public economics) at the University of Helsinki.

Changes in personnel in 2008:

Essi Eerola, Elias Einiö, Helena Holopainen, Mikael Juselius, Leena Kalliovirta, Timo Vesala and Tommi Vuorenmaa have not been members of RUESG in 2008.

Foreign visitors to RUESG:

Jan König, one week (Free University Berlin, Germany).
 Thomas Aronsson, one week (University of Umeå, Swden).

Details of scientific and other activity

1. Scientific activity 2008

1.1 Publications

Books, chapters in internationally published books (refereed) and research reports:

Erkki Koskela:

Economic Prosperity Recaptured: The Finnish Path from Crisis to Rapid Growth, forthcoming in MIT Press, with Seppo Honkapohja, Willi Leibfritz and Roope Uusitalo.

Rune Stenbacka:

Vertical Effects between Natural Gas and Electricity Production: The Neste-IVO Merger in Finland. In *Cases in European Competition Policy: The Economic Analysis* edited by Bruce Lyons, Cambridge University Press, forthcoming. (24 p)

Timo Seppälä:

Essays on Misplanning Wealth and Health: A Behavioural Approach. Research Reports No. 108 (2008), Dissertationes Oeconomicae, University of Helsinki, Department of Economics, 137 p.

Tommi Vuorenmaa:

Elements of Volatility at High Frequency, Research Reports No. 111 (2008), Dissertationes Oeconomicae, University of Helsinki, Department of Economics, 169 p.

Articles in refereed journals:

Luis Alvarez, L. H. R. (& Jukka Lempa):

On the Optimal Stochastic Impulse Control of Linear Diffusions, *SIAM Journal on Control and Optimization*, vol. 47, 703-732, 2008.

Luis Alvarez and Erkki Koskela:

Progressive Taxation, Tax Exemption, and Irreversible Investment under Uncertainty, *Journal of Public Economic Theory*, vol. 10, 149-169, 2008.

Luis Alvarez (& Teppo Rakkolainen):

Investment Timing in Presence of Downside Risk: A Certainty Equivalent Characterization, Forthcoming in: *Annals of Finance*.

Luis Alvarez:

A Class of Solvable Stopping Games, Forthcoming in: *Applied Mathematics and Optimization*.

Luis Alvarez (& Teppo Rakkolainen):
On Singular Stochastic Control and Optimal Stopping of Spectrally Negative Jump Diffusions, Forthcoming in: *Stochastics*.

Luis Alvarez (& Teppo Rakkolainen):
Optimal payout policy in presence of downside risk, Forthcoming in: *Mathematical Methods of Operations Research*.

Ilkka Kiema:
Commercial Piracy and Intellectual Property Policy, *Journal of Economic Behaviour & Organization*, 68(1), 305-318.

Erkki Koskela (& Leopold von Thadden):
Optimal Factor Taxation under Wage Bargaining: A Dynamic Perspective, *German Economic Review* 9(2), 134-159, 2008.

Erkki Koskela (& Markku Ollikainen & Mikko Puhakka):
Saddles and Bifurcations in an Overlapping Generations Economy with a Renewable Resource, *Finnish Economic Papers*, 21(1), 3-21, 2008.

Erkki Koskela (& Ronnie Schöb): A Note on Internal and External Reference in Efficiency Wage Models, Forthcoming in: *Journal of Economics*.

Heikki Kauppi and Pentti Saikkonen:
Predicting U.S. Recessions with Dynamic Binary Response Models, *Review of Economics and Statistics*, forthcoming in 90(4), 2008.

Heikki Kauppi (& Mika Widgren):
Do Benevolent Aspects Have Room in Explaining EU Budget Receipts, Forthcoming in: *Public Finance and Management*.

Panu Poutvaara:
Public and Private Education in an Integrated Europe: Studying to Migrate and Teaching to Stay? *Scandinavian Journal of Economics* 110, 591–608, 2008.

Panu Poutvaara (& and Andreas Wagener):
Why is the Public Sector More Labor-Intensive? A Distortionary Tax Argument, *Journal of Economics* 94, 105–124, 2008.

Panu Poutvaara:
On Human Capital Formation with Exit Options: Comment and New Results *Journal of Population Economics* 21, 679-684, 2008.

Panu Poutvaara (& Marko Koethenbueger & Paola Profeta):
Why are More Redistributive Social Security Systems Smaller? A Median Voter Approach, *Oxford Economic Papers* 60, 275–292, 2008.

Panu Poutvaara (& Amihai Glazer & Vesa Kanninen):
Income Taxes, Property Values and Migration, *Journal of Public Economics* 92, 915–923, 2008.

Panu Poutvaara (& Henrik Jordahl & Juha Tuomala):
Comment on Education Returns of Wage Earners and Self-employed Workers, Forthcoming in: *Economics of Education Review*.

Panu Poutvaara (& Katariina Keller & Lars Siemers):
Military Draft and Economic Growth in OECD Countries, Forthcoming in: *Defense and Peace Economics*.

Panu Poutvaara (& Lars Siemers):
Smoking and Social Interaction, Forthcoming in: *Journal of Health Economics*.

Panu Poutvaara (&Marko Koethenbueger):
Rent Taxation in a Small Open Economy: The Effect on Transitional Generations, Forthcoming in: *International Tax and Public Finance*.

Panu Poutvaara (& Volker Grossmann):
Pareto-improving Bequest Taxation, Forthcoming in: *International Tax and Public Finance*.

Pentti Saikkonen (& Mika Meitz):
Ergodicity, Mixing, and Existence of Moments of a Class of Markov Models with Applications to GARCH and ACD models, *Econometric Theory* 24, 1291-1320, 2008

Pentti Saikkonen (& Carsten Trenkler & Helmut Lutkepohl):
Testing for the Cointegrating Rank of a VAR Process with Level Shift and Trend Break, *Journal of Time Series Analysis* 29, 331-358, 2008.

Pentti Saikkonen (& Mika Meitz):
Stability of Nonlinear AR-GARCH models, *Journal of Time Series Analysis* 29, 453-476, 2008.

Pentti Saikkonen:
Stability of regime switching error correction models under linear cointegration. *Econometric Theory* 24, 294-318, 2008.

Rune Stenbacka (& Oz Shy):
Rethinking the Roles of Banks: A Call for Narrow Banking. *The Economists' Voice*, 2008 (5), Issue 2, Article 6.

Rune Stenbacka (& Oz Shy):
Price Competition, Business Hours, and Shopping Time Flexibility. *The Economic Journal*, 2008 (118), 1171-1195.

Rune Stenbacka (& Arie Melnik & Oz Shy):

Assessing Market Dominance. Forthcoming in: *Journal of Economic Behavior and Organization*.

Janne Tukiainen:

Testing for Common Costs in the City of Helsinki Bus Transit Auctions. Forthcoming in: *International Journal of Industrial Organization*.

Working papers in the Helsinki Center of Economic Research (HECER) DP Series or in other discussion paper series:

Mikael Juselius & Rune Stenbacka:

The Relevant Market for Production and Wholesale of Electricity in the Nordic Countries: An Econometric Study, *HECER Discussion Paper No. 222, May 2008*

Heikki Kauppi:

Yield-Curve Based Probit Models for Forecasting U.S. Recessions: Stability and Dynamics, *HECER Discussion Paper No. 221, May 2008 and Aboa Centre for Economics Discussion Paper No. 31, 2008*.

Michal Kempa:

What Determines Commercial Banks Demand in the Interbank Market. Discussion paper 2008, Bank of Finland.

Michal Kempa:

Liquidity Shocks in the Eurosystem Interbank Market, *HECER Discussion Paper No. 203, February 2008*

Erkki Koskela:

The Effect of Labour Tax Progression under Nash Wage Bargaining and Flexible Outsourcing, *HECER Discussion Paper No. 208, May 2008 and IZA Discussion Paper No 3501, May 2008*.

Erkki Koskela (& Thomas Aronsson):

Outsourcing and Optimal Nonlinear Taxation: A Note, *HECER Discussion Paper No. 206, March 2008 and CESifo Working Paper No. 2269, April 2008*.

Erkki Koskela (& Jan König):

Strategic Outsourcing, Profit Sharing and Equilibrium Unemployment. *IZA Discussion Paper No 3413, March 2008*.

Erkki Koskela (& Jan König):

Flexible Outsourcing, Profit Sharing and Equilibrium Unemployment. *CESifo Working Paper No. 2382, August 2008 and HECER Discussion Paper No. 230, August 2008*.

Erkki Koskela (& Ronnie Schöb):

Outsourcing and Unionized Firms and the Impact of Labour Market Policy Reforms, *HECER Discussion Paper No. 220, May 2008, IZA Discussion Paper No 3566, June 2008 and CESifo Working Paper No. 2360, July 2008*.

Erkki Koskela and Panu Poutvaara:
Equilibrium Unemployment with Outsourcing and Labour Taxation under both Unionized and Competitive Labour Markets, *HECER Discussion Paper No. 208, March 2008*.

Erkki Koskela and Panu Poutvaara:
Outsourcing and Labor Taxation in Dual Labor Markets, *IZA Discussion Paper No 3512, May 2008 and CESifo Working Paper No. 2333, June 2008*.

Erkki Koskela and Panu Poutvaara:
Flexible Outsourcing and the Impacts of Labour Taxation in European Welfare States, *HECER Discussion Paper No. 229, August 2008*.

Erkki Koskela (& Mikko Puhakka):
Cycles and Indeterminacy in Overlapping Generations Economies with Stone-Geary Preferences, *University of Oulu, department of economics Discussion Paper No. 0802, January 2008*.

Markku Lanne (& Arto Luoma & Jani Luoto): A Naïve Sticky Information Model of Households' Inflation Expectations, *HECER Discussion Paper No. 216, April 2008*.

Markku Lanne (& Helinä Laakkonen): Asymmetric News Effects on Volatility: Good vs. Bad News in Good vs. Bad Times, *HECER Discussion Paper No. 207, March 2008*.

Markku Lanne & Pentti Saikkonen:
Modeling Expectations with Noncausal Autoregressions. *HECER Discussion Paper No. 212, 2008*.

Markku Lanne (& Helmut Lutkepohl):
Stock Prices and Economic Fluctuations: A Markow Switching Structural Vector Autoregressive Analysis, *CESifo Working Paper No. 2407, September 5, 2008*.

Panu Poutvaara (& Amihai Glazer and Vesa Kannianen):
Firms' Ethics, Consumer Boycotts, and Signalling, *IZA Discussion Paper No 3504, 2008 and HECER Discussion Paper No. 218, May 2008*.

Panu Poutvaara (& Katarina Keller & Andreas Wagener):
Military Draft and Economic Growth in OECD Countries, *HECER Discussion Paper No. 228, July 2008*.

Pentti Saikkonen (& M. Demetrescu & Helmut Lütkepohl):
Testing for the Cointegrating Rank of a Vector Autoregressive Process with Uncertain Deterministic Term. *European University Institute, Department of Economics, Working Paper 2008/24*.

Pentti Saikkonen (& Mika Meitz):
Parameter Estimation in Nonlinear AR-GARCH Models. *European University Institute, Department of Economics, Working Paper 2008/25*.

Janne Tukiainen:

The Determinants of Entry in an Auction with both Private and Common Value Bidders, *HECER Discussion Paper No 214, 2008*.

Janne Tukiainen:

Participation Screen for Collusion in Auctions. *HECER Discussion Paper No. 215, 2008*.

Jouko Verho:

Determinants of unemployment duration over the business cycle in Finland, *HECER Discussion Paper No. 226, June 2008*.

Jouko Verho:

Scars of recession: the long-term costs of the Finnish economic crisis. IFAU Working Paper, 2008:9.

1.3 Scientific visits abroad:

Erkki Koskela:

- Research Cooperation, Umeå University, Sweden, 15.-19.6., 28.9.-2.10. 2008.
- CESifo, Munchen, Germany, 22.-25.5., 4.-6.6.2008.
- Research Cooperation, Free University Berlin, Germany, 20.-26.7, 5.-9.10. 2008.

Pentti Saikkonen:

- Fernand Braudel Senior Fellow, European University Institute, Department of Economics, 1.3.-30.6.2008.
- Bank of Finland, 1.8.-31.12.2008.

Rune Stenbacka:

- Research Cooperation, University of Michigan, USA 12-16. 2008.
- Research Cooperation, University of Toronto, Canada 17-19.2008.

Markku Lanne:

- European University Institute, Italy, 26. - 31.5.2008.
- Carnegie Mellon University, USA, 19. - 22.6.2008.

Jouko Verho:

- Focus on PhD thesis and Research Cooperation, IFAU (= the Institute for Labour Market Policy Evaluation, Uppsala, Sweden), one week per month.

Panu Poutvaara:

- CES Visiting Fellow in May-June 2008.

1.4 Visits by foreign scholars to RUESG:

Host: Erkki Koskela

- Jan König, researcher, Free University Berlin, Germany, March, 2008.

- Thomas Aronsson, professor, University of Umeå, Sweden, March, 2008.

1.5 Lectures, invited seminar talks and conference presentations:

Luis Alvarez:

- 4. RUESG Support Group meeting, 7.5. 2008, Helsinki.

Heikki Kauppi:

- Presentation in Center for Research in Econometric Analysis of Time Series, April 2008, University of Aarhus, Denmark.
- Presentation in North American Summer Meeting of the Econometric Society, June 2008, Pittsburg, USA.
- Presentation in EEA Meeting, August 2008, Milan, Italy.
- NBER-NSF Time Series Conference, September 2008, University of Aarhus, Denmark.

Ilkka Kiema:

- "A Model of Commercial Piracy and Network Externalities", 13.2. 2008, Annual Meeting of the Finnish Society for Economic Research, Jyväskylä.
- "‘Pool of Knowledge’ Endogenous Growth Models and Intellectual Property Rights", 12.3. 2003, HECER seminar on Macroeconomics and Development

Erkki Koskela:

- "Strategic Outsourcing, Profit Sharing and Equilibrium Unemployment", seminar 10.1. 2008, Bank of Finland.
- "Strategic Outsourcing, Profit Sharing and Equilibrium Unemployment", seminar 30.1. 2008, Labour Institute for Economic Research, Helsinki.
- "Strategic Outsourcing, Profit Sharing and Equilibrium Unemployment", seminar 30.1. 2008, the Research Institute of the Finnish Economy, Helsinki.
- "Economic Prosperity Recaptured: the Finnish Path from Crisis to Rapid Growth", presentation in 16.5. 2008, University of Oulu.
- "Equilibrium Unemployment with Outsourcing and Labour Taxation under both Unionized and Competitive Domestic Labour Markets", CESifo Area Conference on "Employment and Social Protection", 23.5. 2008, Munchen, Germany.
- "Flexible Outsourcing and the Impact of Labour Taxation in European Welfare States", seminar 28.8. 2008, Government Institute for Economic Research, Helsinki.
- "Economic Prosperity Recaptured: the Finnish Path from Crisis to Rapid Growth", presentation in 1.10. 2008, University of Umeå, Sweden.
- Invited lectures "Labour Economics", in the Central Bank of Estonia, Tallinn, October 13-17, 2008.
- "Outsourcing of Unionized Firms and the Impacts of Labour Market Policy Reforms", presentation in 24.10. 2008, Nordic workshop on Tax Policy and Public Economics, University of Uppsala, Sweden.

Markku Lanne:

- "Joint Modeling of Call and Put Implied Volatility", presentation in 30.5.2008, European University Institute, Florence, Italy.
- "Modeling Expectations with Noncausal Autoregressions", presentation in 2008 North American Summer Meeting of the Econometric Society, 22.6.2008, Pittsburgh, United States.

Panu Poutvaara:

- "Returning Home to Go to School? Emigration and Return Migration of Families with Children", Annual Meeting of the Finnish Society for Economic Research 13.-14.2.2008, Jyväskylä.
- "Smoking and Social Interaction", 22.2. 2008, Belfast, the United Kingdom.
- "Politicians' Salaries and Candidate Selection: An Empirical Analysis", Annual Meeting of European Public Choice Society, 28.3. 2008, Jena, Germany.
- "Pocketbook Voting", Germany and Austria, April 2008. CESifo conference and University of Vienna.
- "Should Old-Age Benefits Be Earnings-Tested?", April 2008, University of Umeå CESifo, April 2008, and Nordic Workshop on Tax Policy and Public Economics, 23.-24.10. 2008, Sweden and Germany.
- "Returning Home to Go to School? Emigration and Return Migration of Families with Children", CESifo conference and Goettingen University, May 2008, Germany, IIPF congress, and EEA meeting, August 2008, Maastricht, the Netherlands and Milan, Italy.
- "Why is the Public Sector More Intensive? A Distortionary Tax Argument", workshop in 17.6. 2008, Vaxholm, Sweden.
- "Pay for Politicians and Candidate Selection: An Empirical Analysis", IIPF congress, 22.8. 2008, Maastricht, the Netherlands.
- "The Expansion of Higher Education and Time-Consistent Taxation", IZA workshop in 12.9. 2008, Bonn. Germany and CESifo conference, in 31.10.-1.11. 2008, Munchen, Germany.

Pentti Saikkonen:

- Modeling Expectations with Noncausal Autoregressions. European University Institute, 14.3.2008.
- Modeling Expectations with Noncausal Autoregressions. International Workshop on Recent Advances in Time Series Analysis, Protaras, Cyprus, 8.6.-11.6.2008.

Rune Stenbacka:

- Invited Research Seminar: Equilibrium Unemployment with Outsourcing and Wage Solidarity under Labor Market Imperfections. Department of Economics, University of East Anglia, Norwich, UK. (January)
- Invited Research Seminar: Market Dominance and Behavior-Based Pricing under Horizontal and Vertical Differentiation. Centre for Competition Policy, University of East Anglia, Norwich, UK. (January)
- Invited Lectures "Anticompetitive Practices: The Economics of Article 81" (12 h) at CRESSE The European Summer School of Competition and Regulation, held in Athens and organized by University of Athens (July)
- Conference Presentation at the Annual Congress of the European Economic Association, Milan (August)

- Conference Presentation at the European Meeting of the Econometric Society, Milan (August)
- Conference Presentation at European Association for Research in Industrial Economics (EARIE) Annual Conference in Toulouse (September)
- Invited Comment at the Nordic Workshop on Research in Electricity Markets in Stockholm (June)

Janne Tukiainen:

- Annual Meeting of the Finnish Society for Economic Research, presentation and comment in 13.-14.2. 2008, Jyväskylä.
- “Participation Screen for Collusion in Auctions”, HECER seminar on Applied microeconomics, 26.3. 2008, Helsinki.
- “Entry in an Auction with both Private and Common Value Bidders”, HECER Lunch seminar, 7.4. 2008, Helsinki.
- 4. RUESG Support Group meeting, 7.5. 2008, Helsinki.
- Seminar in 8.5. 2008, Government Institute for Economic Research, Helsinki
- FDPE microeconomics and IO seminar, Helsinki.
- EARIE conference, in August 2008, Toulouse, France.

Jouko Verho:

- “Determinants of unemployment duration in Finland: The role of inflow composition and macroeconomic conditions”, Annual Meeting of the Finnish Society for Economic Research 13.-14.2.2008, Jyväskylä.
- “Workplace accidents and business cycle - Evidence from Swedish health registers”, HECER seminar on Macroeconomics and Development in 2.4.2008, Helsinki.
- “Scars of Recession: The long-term costs of Finnish economic crisis”, IZA summer school in Labor Economics, 12.-18.5.2008, Buch/Ammersee, Germany.

Juha Virrankoski:

- 4. RUESG Support Group meeting, 7.5. 2008, Helsinki.

1.6 Editorial Assignments, Referee Assignment in Scientific Journals and Other Publications:

Luis Alvarez:

- Operations Research (referee, 2 times)
- Mathematical Methods of Operations Research (referee, 2 times)
- Economic Theory (referee)
- Natural Resource Modelling (referee)
- SIAM Journal on Control and Optimization (referee)
- The American Naturalist (referee)

Heikki Kauppi:

- Finnish Economic Papers (co-editor)

Erkki Koskela:

- Bulletin of Economic Research (referee)

- Forest Science (referee)
- Papers in Regional Science (referee, 2 times)
- Journal of Forest Economics (referee)
- Forest Policy and Economics (referee, 3 times)
- Journal of Economic Behaviour & Organization (referee)
- FinanzArchiv (referee)
- Natural Resource Modeling (referee)
- Economic Inquiry (referee)
- Journal of Financial Stability (referee)

Markku Lanne:

- Econometrics Journal (referee)
- Journal of Money, Credit, and Banking (referee)
- Energy (referee)
- Journal of Business and Economic Statistics (referee)
- International Journal of Forecasting (referee)
- Journal of Financial Econometrics (referee)
- Journal of Applied Econometrics (referee)
- Journal of International Financial Markets, Institutions & Money (referee)
- Journal of Futures Markets (referee)
- Quarterly Review of Economics and Finance (referee)
- Journal of Banking and Finance (referee)
- Empirical Economics (referee)

Panu Poutvaara:

- Finnish Economic Papers (editor)
- American Economic Review (referee)
- Economica (referee)
- Economics of Education Review (referee)
- European Journal of Political Economy (referee)
- FinanzArchiv (referee)
- Fiscal Studies (referee)
- International Journal of Public Policy (referee)
- Journal of Economic Literature (referee)
- Journal of Population Economics (referee)
- Journal of Public Economics (referee, 2 times)
- Journal of the European Economic Association (referee)
- Regional Science and Urban Economics (referee)

Rune Stenbacka:

- European Economic Review (Associate Editor)
- International Journal of Industrial Organization (Associate Editor)
- Journal of Economic Behavior & Organization (Associate Editor)
- Finnish Economic Papers (Associate Editor)
- European Economic Review (referee)
- International Journal of Industrial Organization (referee, 3 times)
- Journal of Economic Behavior & Organization (referee)

- The Scandinavian Journal of Economics (referee)
- Journal of Institutional and Theoretical Economics (referee)
- The Journal of Industrial Economics (referee)
- Journal of Financial Stability (referee)
- The Manchester School (referee)

1.7 Positions of trust in scientific societies and other organizations

Luis Alvarez:

- Finnish Graduate School in Stochastics and Statistics (a deputy member of the board).

Erkki Koskela:

- Institute of International Economic Law (KATT) (deputy member of the board).
- Finnish Academy of Science and Letters (Suomalainen Tiedeakatemia) (the treasurer and board member).
- Academia Europaea (member).
- Evaluator of Eino Jutikkala Foundation.

Markku Lanne:

- The Fourth IASTED International Conference on Financial Engineering and Applications, Program Committee (member).
- Tilastokeskuksen Tieteellinen neuvottelukunta, Suomi, (member).
- OP-ryhmän Tutkimussäätiön Tieteellinen toimikunta, Suomi (member).
- Suomen Arvopaperimarkkinoiden Edistämissäätiön tieteellinen neuvottelukunta, Suomi (member).
- Tilastokeskuksen Tutkimuslaboratorion johtoryhmä, Suomi (member).
- Tilastokeskuksen suhdannetilastojen kehittämisen asiantuntijaryhmä (member).
- 22nd Nordic Conference on Mathematical Statistics, Econometrics Section (member)

Rune Stenbacka:

- Professor of Industrial Economics, Göteborg University 01.01-31.07.2008 (on leave)
- Member of Programme Committee: European Finance Association Conference 2008.
- Member of Programme Committee: Econometric Society European Meeting (Theoretical and Applied Economics)
- Member of the Board: The Swedish School of Economics and Business Administration, Helsinki.
- Member of the Board and Executive Committee: Helsinki Center of Economic Research
- Evaluation for Position as Docent in Economics, in particular Industrial Economics: Helsinki School of Economics
- Member of the Council for Competition Research at The Swedish Competition Authority
- Member of the Council for Public Procurement at The Swedish Competition Authority

- Regular Expert Assignments at Fortum Corporation
- Evaluation of Research Projects: Research Council Canada, Social Sciences and Humanities

1.8 Evaluation reports for positions

1.9 Examinations and pre-examinations of doctoral dissertations

1.10 Other scientific activity:

Heikki Kauppi:

- Coordinator, Workshop in Economics and Computational Economics, Finnish Doctoral Programme in Economics (FDPE).

Erkki Koskela:

- Research Fellow in CESifo, Munchen, Germany.
- Research Fellow in IZA, Bonn, Germany.

Markku Lanne:

- Coordinator, Workshop in Economics and Computational Economics, Finnish Doctoral Programme in Economics (FDPE).
- Coordinator, Empirical Macroeconomics ja Financial Econometrics -sessions, Annual Meeting of the Finnish Society for Economic Research, 14.2.2008, Jyväskylä.
- Comment to Marko Melolinna "Financial market information and oil supply shocks using restricted VAR methodology for a small open economy", Annual Meeting of the Finnish Society for Economic Research, 14.2.2008, Jyväskylä.

Panu Poutvaara:

- Research Fellow in CESifo, Munchen, Germany.
- Research Fellow in IZA, Bonn, Germany.
- Research Fellow in CEBR, Copenhagen, Denmark.

2. Other societal duties 2006

2.1 Expert duties and positions of trust

Luis Alvarez:

- Vaasan yliopiston talousmatematiikan professorin virantäyttö (asiantuntija)

Erkki Koskela:

- Research Unit of Economic Structures and Growth (REASG) director.
- CESifo Economic Studies, (an associate editor).
- The Open Forest Science Letters, (member).
- The Open Forest Science Reviews, (member).

Pentti Saikkonen:

- Econometric Theory, Co-Editor.

Rune Stenbacka:

- European Economic Review (associate editor)

- International Journal of Industrial Organization (associate editor).
- Journal of Economic Behavior & Organization (associate editor).
- The Finnish Economic Papers (associate editor).
- Member of the Board and Executive Committee: HECER.
- Member of Evaluation Committee for Doctoral Dissertation: Göteborg University.
- Member of the Council for Competition Research at the Swedish Competition Authority.
- Member of the Council for Public Procurement at the Swedish Competition Authority.
- Regular Expert Assignments at Fortum Corporation.

2.2 Some other activities:

Erkki Koskela:

- Docent of Economics at the University of Oulu and the University of Turku.

3. Degrees attained and forthcoming:

The following RUESG members (or former members) have attained or will get doctor's degree during 2008:

Timo Seppälä, PhD Economics, June 2008:

(supervisors: Erkki Koskela, Rune Stenbacka; examiners: Pertti Haaparanta, Hannu Vartiainen).

Tommi Vuorenmaa, PhD Economics, September 2008

(supervisors: Pentti Saikkonen, Markku Lanne; examiners: Asger Lunde, Seppo Pynnönen).

Jouko Verho, PhD Economics, November 2008:

(supervisors: Erkki Koskela; examiners: Timo Kyyrä, Jan van Ours).

Ilkka Kiema, PhD Economics, November or December 2008:

(supervisors: Erkki Koskela, Rune Stenbacka; examiners: Mikko Mustonen, Tuomas Takalo).

Janne Tukiainen, probably PhD Economics, before the end of 2008:

(supervisors: Erkki Koskela, Rune Stenbacka and Otto Toivanen; examiners: Estelle Cantillon, Timo Kuosmanen).