



HELSINGIN YLIOPISTO
HELSINGFORS UNIVERSITET
UNIVERSITY OF HELSINKI

Annual Report 2007



**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 2007

Director:

Erkki Koskela, Academy Professor

Team Leaders:

Erkki Koskela, Academy Professor

Pentti Saikkonen, Professor of Statistics

Rune Stenbacka, Professor of Economics

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

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Overview

2007 was the thirteenth 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 is 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 will continue till the end of June 2008 to get new submissions of PhD theses for evaluation.

Research activity at RUESG continued at high pace and numerous research publications, papers, lectures and conference presentations were given by RUESG members in 2007. 4 books, reports or edited volumes, 34 articles in refereed international journals or in edited volumes, and 33 new working papers were published during the year.

RUESG people delivered a total of 64 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. 3 PhD degrees were completed in 2007. A detailed report of the different RUESG activities is provided below.

RUESG activities have changed from the earlier years as follows: (i) research co-operation of RUESG researchers has increased and (ii) RUESG has also started to increase workshops. In 2007 Erkki Koskela, Pentti Saikkonen and Rune Stenbacka organized two workshops for RUESG researchers. Concerning HECER's (Helsinki Center of Economic Research) seminars RUESG team leaders have organized several of these: (i) Erkki Koskela organized 11 seminars about Labour and Public Economics, (ii) Rune Stenbacka organized 5 seminars about Applied Microeconomics and (iii) Pentti Saikkonen organized 11 seminars about Time Series Econometrics. Moreover, Koskela and Stenbacka organized the joint CESifo – HECER -RUESG Conference “International Outsourcing” in Helsinki, June 1-2, 2007.

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.

Professor Koskela became the director of RUESG in March 2004 after Seppo Honkapohja, who has continued to participate in RUESG activities as a Visiting Professor. Erkki Koskela 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 2007 on the following topics: Forest rotation issues when the interest rate is stochastic and fluctuates over time according to a mean-reverting process and forest stand values follow stochastic process. He has also studied the royalty reforms under illegal logging. Using the real option theory approach he has also 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 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. Moreover, the optimal capital taxation has been analyzed under unionized labour markets as well as the tax reforms under collective wage bargaining and individual effort determination. He also worked on revisions of the manuscript "Economic Prosperity Recaptured: The Finnish Path from Crisis to Fast 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 (Germany and USA) as well as domestically.

Pentti Saikkonen has completed his work in 2007 on the stability of nonlinear GARCH models and nonlinear autoregressions with GARCH errors. In the latter models, Saikkonen has obtained the first practically applicable results on geometric ergodicity and existence of moments. Based on these results Saikkonen has started to develop a related asymptotic estimation theory. Another work he has completed deals with dynamic binary response models and their application to predicting U.S. recessions. As a new project, Saikkonen has started to study non-causal autoregressive models which seem to provide a promising approach for modeling expectations. Saikkonen has maintained permanent research cooperation internationally (Italy and United Kingdom) as well as domestically.

Rune Stenbacka's research in 2007 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 Israel) 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 labor markets and credit markets. Studies in investment theory with a particular focus on real option approaches to adoption of new technologies

During the year 2007 the research of *Luis Alvarez* has focused in three different general topics. The first topic is the analysis of how Knightian uncertainty and ambiguity 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 as well as on a more general non-zero-sum game framework. Along the lines of year 2007 the third topic has been the applications of stochastic control theory in economics and finance. In these studies the main objective has been to develop new techniques for analyzing and solving stochastic control problems of potentially discontinuous processes with an emphasis on Levy-diffusions. Alvarez collaborates with Erkki Koskela and Rune Stenbacka.

Seppo Honkapohja has continued his research on the implications of adaptive learning for the conduct of macroeconomic policy. His work focused on two topics (i) economic policies to combat liquidity traps in economies with sticky prices and (ii) anticipated fiscal policy and adaptive learning. Honkapohja also worked in 2007 on revisions of the book manuscript "Economic Prosperity Recaptured: The Finnish Path from Crisis to Fast Growth", which is joint work with Erkki Koskela, Willi Leibfritz and Roope Uusitalo. This has been accepted for CESifo Book Series (to be published by the MIT Press).

Heikki Kauppi's research in 2007 focused on two topics (i) the determinants of EU budget allocations (with Mika Widgrén) and (ii) dynamic modeling of discrete time series variables. One paper within project (ii) develops forecasting procedures based on a dynamic extension of the multinomial logit model and applies them for predicting the decisions of the Federal Reserve to change its target for the federal funds rate. Kauppi is currently working on extensions to dynamic binary response models and on their empirical applications. One study examines the stability of the predictive content of the yield curve for US recessions.

Markku Lanne's research activities in 2007 concentrated on applied financial and macroeconometrics. He continued studying new ways of identifying structural vector autoregressive (SVAR) models by making use time-variation in error variance. He also studied the non-causal autoregressive models and proposed methods of testing whether economic time series exhibit forward-looking or backward-looking dynamics. He has also considered modelling and forecasting the implicit stock return volatility. In this study, a new bivariate mixture multiplicative

error model was proposed and successfully applied to modelling jointly the volatilities implied by put and call options written on a Japanese stock market index. In one joint project he studied the importance of the phase of the business cycle on the effect of macroeconomic news announcements on exchange rate volatility. Moreover, he employed Bayesian econometric methods to study the robustness of the previous findings concerning the risk-return relationship in the U.S. stock market with respect to the exact specification of the GARCH model used. In January 2007 he was appointed professor of empirical macroeconomics at the University of Helsinki. Lanne has maintained permanent research cooperation internationally (Italy) as well as domestically.

Professor (mvs) *Panu Poutvaara* has worked on a variety of topics in public economics and political economics, publishing articles in international journals. His main projects analyzed the role of beauty in politics (covered by an article in the *Economist*), social security, education and military draft. In January, Poutvaara was nominated the Editor of the Finnish Economic Papers. Poutvaara participated actively in the policy debate in Sweden, recommending that conscription would be abolished in an invited policy seminar in Stockholm and an opinion article in *Svenska Dagbladet*, media coverage elsewhere including *Dagens Nyheter*. Poutvaara served as opponent of a doctoral dissertation at the University of Umeå and pre-examiner at the University of Tampere. During the year, Poutvaara gave presentations in 6 conferences and workshops, and also gave 8 invited talks.

Timo Vesala was a post-doctoral fellow in RUESG until he started as economist in Tapiola Asset Management Ltd. in the mid April 2007. During his last months as a member of RUESG Vesala's research was primarily focused on modelling strategic bargaining in search markets, as well as examining the implications of asymmetric information in decentralized market environments. Part of this research agenda in various topics was conducted in collaboration both with Professor Klaus Kultti (University of Helsinki) and Dr. Juuso Vanhala (Bank of Finland), Professor Markku Lanne (University of Helsinki) and Dr. Ville Mälkönen (Government Institute for Economic Research). He also participated in a research project examining the effects of Basel II Accord on the efficiency and procyclicality of bank lending. This line of research was conducted in collaboration with Dr. Esa Jokivuolle (Bank of Finland). In 2007 Timo Vesala served as the chairman of the Finnish Society for Economic Research.

Juha Virrankoski's research focused mainly on matching models in labour markets. His article "Search Direction and Wage Dispersion" (with Marja-Liisa Halko and Klaus Kultti) was accepted for publishing in *International Economic Review*. The article studies equilibrium market structure and wage distribution in a model where job seekers and vacancies can either send or receive wage offers. Article "Who Searches?" (with Klaus Kultti, Antti Miettunen, and Tuomas Takalo) was accepted for publishing in *Japanese Economic Review*. The article considers whether buyers contact sellers or vice versa. He presented paper "Equilibrium Unemployment Duration in an Urn-Ball Model of the Labour Market" (written with Klaus Kultti and Antti Miettunen) in the European Meeting of the Econometric Society in Budapest and submitted it to *Economics Letters*. Virrankoski continued studying intermediate institution in labour market with Marja-Liisa Halko and the microeconomics of monetary exchange with Klaus Kultti.

Graduate students

Elias Einiö visited the department of economics at University College London during the spring term 2007. He started a new project on evaluating the effects of public R&D subsidy programs on private R&D efforts. He also continued to working with the project "Skill-biased technical change in Finnish manufacturing". During the year he gave several seminar presentations including a presentation in Royal Economic Society's Annual Conference and also in RUESG workshop in October 2007.

Helena Holopainen's research interest has been in the fields of economics of organizations and contract theory applied especially to the analysis of corporate governance and ownership structures. She defended her dissertation titled as "Essays on Corporate Governance, Stakeholders, and Restructuring" in the end of January, 2007. The first paper in the dissertation is on how the employees' incentives to acquire human capital can be reconciled with the shareholders' ability to implement organizational changes and how the shareholders' choice of production technology affects the need to use specific governance mechanisms to this end. The second paper analyzes the role of owners' monitoring ability for the allocation of authority within the firm and the choice of firm's business strategy. The focus of the third essay is the board of directors and how the presence of (incumbent or former) CEO on the board affects the nature of CEO succession process.

Mikael Juselius was during spring 2007 on a leave of absence from the RUESG while holding a position as an acting lecturer in economics at the Swedish School of Economics and Business Administration. He also defended his PhD thesis on June the 15th 2007 titled as "A Cointegration Approach to Topics in Empirical Macroeconomics". The dissertation consists of four studies applying the cointegrated VAR model to topical problems in empirical macroeconomics. During the fall semester he was held a position as a research visitor at the Bank of Finland. During 2007 he completed two working paper manuscripts, "Cointegration Implications of Linear Rational Expectations Models", during the research visit, and in collaboration with Niklas Ahlgren, "The Likelihood Ratio Test for Cointegration Rank and the Initial Condition". In addition, he worked on a research project on how to measure oligopoly conduct in collaboration with Staffan Ringbom and Moshe Kim from Hanken.

Leena Kalliovirta's research focused on nonlinear time series econometrics, in particular, misspecification testing. Kalliovirta completed her project "Quantile Residuals for multivariate models" and started to work with her third essay "Quantile Residuals and their empirical distribution function". In autumn 2007 she visited the University of Copenhagen, Department of Mathematical Sciences for three months. Kalliovirta also presented her work in March 2007 and October 2007 in RUESG workshop and also at the 18th EC2 Meeting in Faro, Portugal.

Michal Kempa started from the 1st of January until the 30th of June to work in the Research Department in the Bank of Finland. During that time he completed a 3rd essay in his thesis titled "What Determines Commercial Banks Demand in the

Interbank Market”. The paper will be published as the bank of Finland discussion paper in 2008. During 2007 he has participated in March 2007 and October 2007 in RUESG workshop and in Hanken workshop in December 2007. During these seminars Michal Kempa has presented the paper mentioned above and new paper “Liquidity crisis in the interbank market”.

Ilkka Kiema has worked during 2007 on his dissertation on the economics of intellectual property rights. One of its two main parts is concerned with commercial piracy, and an extensive paper by Kiema on this topic was accepted for publication in the *Journal of Economic Behavior and Organization* in May, 2007. After finalizing this paper, Kiema has mostly worked on the other main part of his dissertation, the analysis of imperfect intellectual property rights within endogenous growth theory. During the rest of the year Kiema has worked on and almost finalized a shorter and less ambitious paper, which is concerned with the analysis of network externalities within the framework of his model of commercial piracy.

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. His PhD thesis focus is the following: The first essay “Testing for Common Costs in the City of Helsinki Bus Transit Auctions” has already been accepted in December 2007 for publication in the *International Journal of Industrial Organization*. In the second essay he has developed a test for detecting collusion based on entry decisions and applied it to auction data in Helsinki. In the third essay the focus is to conduct empirical analysis of entry decisions in auctions where bidders operate under different information paradigms.

Juuso Vanhala's research interest has been in various applications of search/matching models of the labour market to macroeconomic models. He defended his dissertation titled as “Essays on Labor Market Frictions, Technological Change and Macroeconomic Fluctuations” in the beginning of February 2007. The first essay of his PhD thesis investigates the role of skill mismatch in determining the relation between economic growth and equilibrium unemployment and the second essay focused on a search model with heterogeneous workers and the third essay studies the effects of business cycles and labour in a matching model on equilibrium unemployment.

Jouko Verho continued to work on his dissertation on empirical topics in labour economics. He finished a study with Roope Uusitalo on the effect on unemployment benefits on unemployment duration in Finland. He also started second collaboration project with Per Johannsson and Tuomas Pekkarinen to analyse relation between workplace accidents and business cycle in Sweden. In addition, he participated in several international seminars and conferences.

Tommi Vuorenmaa finished his third and final Ph.D. thesis essay called "Decimalization, Realized Volatility, and Market Microstructure Noise" when he visited Princeton University in USA. The empirical results of this essay show how the New York Stock Exchange (NYSE) tick size reduction from sixteenths of a dollar to one cent in January 2001 affected stock market volatility and microstructure noise on the NYSE. The results also shed light on how well certain popular non-parametric volatility estimators based on the idea of subsampling and averaging perform relative to each other. After his return from Princeton University in autumn 2007, the Ph.D. thesis was submitted to University of Helsinki for official examination.

Personnel

At the end of 2007 RUESG had the following personnel:

Team leaders:³

Erkki Koskela
Pentti Saikkonen
Rune Stenbacka

Visiting Professors:⁴

Luis Alvarez
Seppo Honkapohja
Markku Lanne

Post-doctoral fellows:⁵

Helena Holopainen
Anne Mikkola
Timo Vesala
Juha Virrankoski

Graduate students:⁶

Elias Einiö
Mikael Juselius
Leena Kalliovirta
Michal Kempa
Ilkka Kiema
Toni Nordlund
Janne Tukiainen
Jouko Verho
Tommi Vuorenmaa

Research Associates:⁷

Essi Eerola
 Heikki Kauppi
 Anne Mikkola
 Panu Poutvaara

Department Secretary:

Helena Gronow

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- 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.
- ⁵ During 2007 Helena Holopainen visited the Research Department of the Bank of Finland.
- ⁶ Mikael Juselius and Michal Kempa visited the Research Department of the Bank of Finland and Mikael Juselius also visited Swedish School of Economics and Business Administration (HANKEN). Elias Einiö and Tommi Vuorenmaa has been on visits abroad at London School of Economics, UK, Jouko Verho has been on visits abroad at Uppsala Universitet, Sweden, and Tommi Vuorenmaa has been on visits abroad at Princeton University, USA.
- ⁷ Eerola and Kauppi are the University Lecturers at the University of Helsinki. Mikkola used Professor of Economics (international economics) at the University of Helsinki till the end of July 2007. Poutvaara now uses Professor of Economics (public economics) at the University of Helsinki.

Changes in personnel in 2007:

Mikael Bask, Marja-Liisa Halko, Mikko Leppämäki, Topi Miettinen, Timo Seppälä, and Juuso Vanhala have not been members of RUESG in 2007.

Foreign visitors to RUESG:

Stanislav Anatolyev, two weeks
 (New Economic School, Moscow).
 Andreas Knabe, one week
 (Otto- von - Guericke University Magdeburg, Germany).
 Ronnie Schöb, two weeks
 (Free University Berlin, Germany).

Details of scientific and other activity

1. Scientific activity 2007

1.1 Publications

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

Seppo Honkapohja (& Lars Calmfors & Giancarlo Corsetti & John Kay & Willi Leibfritz & Gilles Saint-Paul & Hans-Werner Sinn & Xavier Vives):

Report on the European Economy 2007, EEAG Report, European Economic Advisory Group at CESifo, (2007), Ifo Institute for Economic Research, Munich, Germany.

Helena Holopainen:

Essays on Corporate Governance, Stakeholders, and Restructuring. Research Reports No. 107 (2007), Dissertationes Oeconomicae, University of Helsinki, Department of Economics, 136 p.

Mikael Juselius:

A Cointegration Approach to Topics in Empirical Macroeconomics. Publications of the Swedish School of Economics and Business Administration (HANKEN), No. 171, PhD thesis, 104 p.

Juuso Vanhala:

Essays on Labor Market Frictions, Technological Change and Macroeconomic Fluctuations. Research Reports No. 108 (2007), Dissertationes Oeconomicae, University of Helsinki, Department of Economics, 117 p.

Articles in refereed journals:

Luis Alvarez and Erkki Koskela:

The Forest Rotation Problem with Stochastic Harvest and Amenity Value. *Natural Resource Modeling*, 20(4), (2007), 477-509.

Luis Alvarez and Erkki Koskela:

Irreversible Capital Accumulation and Nonlinear Tax Policy: A Note. *FinanzArchiv/Public Finance Analysis*, 63(1), (2007), 46-53.

Luis Alvarez and Erkki Koskela:

Opimal Harvesting under Resource Stock and Price Uncertainty. *Journal of Economic Dynamics and Control*, 31, (2007), 2461-2485.

Luis Alvarez and Erkki Koskela:

Taxation and Rotation Age under Stochastic Forest Stand Value. *Journal of Environmental Economics and Management*, 54, (2007), 113-127.

Luis Alvarez and Erkki Koskela:

Progressive Taxation, Tax Exemption, and Irreversible Investment Under Uncertainty, CESifo working paper, No 1377. Forthcoming in: *Journal of Public Economic Theory*, (2008).

Luis Alvarez and Rune Stenbacka:

Partial Outsourcing: A Real Options Perspective. *International Journal of Industrial Organization*, 25(1), (2007), 91-102.

Seppo Honkapohja (& Arja Turunen-Red):

Increasing Returns, Learning, and Beneficial Tax Competition. *Journal of Public Economic Theory*, 9(6), (2007), 927-958.

Erkki Koskela (& Markku Ollikainen & Timo Pukkala):

Biodiversity Policies in Commercial Boreal Forests: Optimal Design of Subsidy and Tax Combinations. *Forest Policy and Economics*, 9, (2007), 982-995.

Erkki Koskela (& Markku Ollikainen & Timo Pukkala):

Biodiversity Conservation in Commercial Boreal Forestry: The Optimal Rotation Age and Retention Tree Volume. *Forest Science*, 53(3), (2007), 443-452.

Erkki Koskela (& Gregory S. Amacher & Markku Ollikainen):

Royalty Reform and Illegal Reporting of Harvest Volumes under Alternative Penalty Schemes. *Environmental and Resource Economics*, 38 (2), (2007), 189-211.

Erkki Koskela (& Leopold von Thadden):

Optimal Factor Taxation under Wage Bargaining: A Dynamic Perspective, Forthcoming in: *German Economic Review*, (2008).

Erkki Koskela (& Mikko Puhakka):

Stone-Geary Preferences in Overlapping Generations Economies under Pure Exchange: A Note, *Journal of Macroeconomics*, 29 (4), (2007), 976-982.

Heikki Kauppi (& Mika Widgren):

Voting Rules and Budget Allocation in the Enlarged EU. *European Journal of Political Economy*, 23(3), (2007), 693-706.

Heikki Kauppi and Pentti Saikkonen:

Predicting U.S. Recessions with Dynamic Binary Response Models. Forthcoming in: *Review of Economics and Statistics*.

Markku Lanne:

Forecasting Realized Exchange Rate Volatility by Decomposition. *International Journal of Forecasting*, 23(2), (2007), 307-320.

Markku Lanne and Pentti Saikkonen:
A Multivariate Generalized Orthogonal Factor GARCH Model. *Journal of Business & Economic Statistics*, 25 (1), (2007), 61-75.

Markku Lanne and Pentti Saikkonen:
Modeling Conditional Skewness in Stock Returns. *The European Journal of Finance*, 13(8), (2007), 691-704.

Panu Poutvaara (& Vesa Kanninen):
Imperfect Transmission of Tacit Knowledge and Other Barriers to Entrepreneurship. *Comparative Labor Law & Policy Journal*, 28(4), (2007), 675-694.

Panu Poutvaara:
On Human Capital Formation with Exit Options: Comment and New Results. forthcoming in: *Journal of Population Economics*.

Panu Poutvaara:
Social Security Incentives, Human Capital Investment and Mobility of Labor. *Journal of Public Economics*, 91 (7-8) (2007), 1299-1325.

Panu Poutvaara (& Tuomas Takalo):
Candidate Quality. *International Tax and Public Finance*, 14(1), (2007), 7-27.

Panu Poutvaara (& Andreas Wagener):
Conscription: Economic Costs and Political Allure. *The Economics of Peace and Security Journal*, 2 (1), (2007), 6-15.

Panu Poutvaara (& Andreas Wagener):
To Draft or not to Draft? Inefficiency, Generational Incidence, and Political Economy of Military Conscription. *European Journal of Political Economy*, 23(4), (2007), 975-987.

Pentti Saikkonen:
Stability of Mixtures of Vector Autoregressions with Autoregressive Conditional Heteroskedasticity. *Statistica Sinica*, 17, (2007), 221-239.

Pentti Saikkonen (& Mika Meitz):
Ergodicity, Mixing, and Existence of Moments of a Class of Markov Models with Applications to GARCH and ACD models. Forthcoming in: *Econometric Theory*.

Pentti Saikkonen (& Carsten Trenkler & Helmut Lütkepohl):
Testing for the Cointegrating Rank of a VAR Process with Level Shift and Trend Break. Forthcoming in: *Journal of Time Series Analysis* (2008).

Pentti Saikkonen (& Mika Meitz):
Stability of Nonlinear AR-GARCH models. Forthcoming in; *Journal of Time Series Analysis*.

Rune Stenbacka (& with Thomas Gehrig):
Information Sharing and Lending Market Competition with Switching Costs and Poaching, *European Economic Review*, 51(1), (2007), 77-99.

Rune Stenbacka (& Oz Shy):
Liquidity Provision and Optimal Bank Regulation, *International Journal of Economic Theory*, 3(3), (2007), 219-233.

Rune Stenbacka (& Arie Melnik & Oz Shy):
Assessing Market Dominance. Forthcoming in: *Journal of Economic Behavior and Organization*.

Rune Stenbacka (& Oz Shy):
Price Competition, Business Hours, and Shopping Time Flexibility. Forthcoming in: *The Economic Journal*.

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

Timo Vesala:
Financial Matching, Asymmetric Information and Entrepreneurial Risk Taking, *the Scandinavian Journal of Economics*, 109 (3), (2007), 469-485.

Timo Vesala:
Switching Costs and Relationship Profits in Bank Lending, *Journal of Banking and Finance*, 31(2), (2007), 477-493.

Articles in other journals:

Seppo Honkapohja and Erkki Koskela:
Kommentti Vesa Kanniaisen kirjoitukseen ”Onko makrotaloustiede kriisissä?”, *Kansantaloudellinen Aikakauskirja (the Finnish Economic Journal)*, 103(1), 98-99.

Seppo Honkapohja and Erkki Koskela (& Jukka Pekkarinen & Antti Suvanto):
Professor Jouko Paunio in Memoriam, *Kansantaloudellinen Aikakauskirja (the Finnish Economic Journal)*, 103(3), 372-374.

Seppo Honkapohja:
Suomi Korkean Teknologian Taloutena: Miten Tästä Eteenpäin. Lyhennelmä julkaisussa Suomalainen Tiedeakatemia, Vuosikirja 2006, osiossa ”*Suomen taloustie 1985-2005 ja tulevaisuus: syvä lama, nousu korkean teknologian taloudeksi ja tulevat haasteet*”, Helsinki (2007).

Erkki Koskela:
1990-luvun Lama: Tarina Huonoista Sokeista ja Huonosta Talouspolitiikasta. Lyhennelmä julkaisussa Suomalainen Tiedeakatemia, Vuosikirja 2006, osiossa ”*Suomen taloustie 1985-2005 ja tulevaisuus: syvä lama, nousu korkean teknologian taloudeksi ja tulevat haasteet*”, Helsinki (2007).

Markku Lanne:

Onko Työn Tuottavuuden Kasvutrendi Todella Hidastumassa?, *Kansantaloudellinen Aikakauskirja (the Finnish Economic Journal)*, 103(2), (2007), 217-225.

Markku Lanne:

Taloustilastojen Merkitys Empiiriselle Makrotaloudelliselle Tutkimukselle ja Makrotaloudelle. *Kansantaloudellinen Aikakauskirja (the Finnish Economic Journal)*, 103(4), (2007), 424-430.

Panu Poutvaara (& Tuomas Louhela):

Työvoimakustannukset Puuttuvat Puolustusmenoista, *Tieto & Trendit* 13(3), (2007).

Jouko Verho (& Roope Uusitalo):

Työttömyysturvan Vaikutus Työttömien Työllistymiseen. *Talous & Yhteiskunta*, 3, 2007.

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

Essi Eerola (& Niku Määttänen):

The Optimal Tax Treatment of Housing Capital in the Neoclassical Growth Model. *Discussion Paper No. 178, August 2007, HECER (= Helsinki Center of Economic Research)*.

Heikki Kauppi:

Predicting the Fed's Target Rate Decisions. *Discussion Paper No. 182, August 2007, HECER*.

Ilkka Kiema:

Intellectual Property Protection Strength in a "Pool of Knowledge" Endogenous Growth Model. *Discussion Paper No. 184, September 2007, HECER*.

Erkki Koskela (& Jan König):

Strategic Outsourcing, Profit Sharing and Equilibrium Unemployment. *CEifo Working Paper No 2168, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany, December 2007 and Discussion Paper No. 199, December 2007, HECER*.

Erkki Koskela (& Mikko Puhakka):

Stability and Dynamics in an Overlapping Generations Economy with Flexible

Wage Negotiations. *IZA Discussion Paper No. 3246, December 2007, The Institute for the Study of Labor IZA), Bonn, Germany.*

Erkki Koskela (& Ronnie Schöb):

How Tax Progression Affects Effort and Employment. *IZA Discussion Paper No. 2861, June 2007, The Institute for the Study of Labor (IZA), Bonn, Germany.*

Erkki Koskela (& Ronnie Schöb):

Tax Progression and Efficiency Wages: Partial Equilibrium Analysis. *Discussion Paper No. 158, April 2007, HECER.*

Erkki Koskela (& Ronnie Schöb):

Tax Progression Under Collective Wage Bargaining and Individual Effort Determination Working Paper No. 2024, June 2007, *CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany.*

Erkki Koskela (& Ronnie Schöb):

The Role of Internal and External Reference Perspectives in Efficiency Wage Models: A Note. *Discussion Paper No. 192, October 2007, HECER. .*

Erkki Koskela and Rune Stenbacka:

Equilibrium Unemployment with Outsourcing and Wage Solidarity under Labour Market Imperfections. *Discussion Paper No. 155, April 2007, HECER., and IZA Discussion Paper No. 2733, April 2007, The Institute for the Study of Labor (IZA), Bonn, Germany and Working Paper No. 1988, May 2007, CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany.*

Erkki Koskela and Rune Stenbacka:

Equilibrium Unemployment with Outsourcing Under Labour Market Imperfections. *Working Paper No. 1892, January 2007, CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany, and IZA Discussion Paper No. 2628, February 2007, The Institute for the Study of Labor (IZA), Bonn, Germany.*

Erkki Koskela and Rune Stenbacka:

Product Market Competition, Profit Sharing and Equilibrium Unemployment, *Working Paper No. 1603, CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany (revision in February 2007).*

Markku Lanne (& Katja Ahoniemi):

Joint Modeling of Call and Put Implied Volatility. *Discussion Paper No. 198,*

November 2007, HECER.

Markku Lanne:

The Properties of Market-Based and Survey Forecasts for Different Data Releases. *Discussion Paper No. 167, May 2007, HECER.*

Markku Lanne (& Jani Luoto):

Robustness of the Risk-Return Relationship in the U.S. Stock Market. *Discussion Paper No. 168, May 2007, HECER.*

Anne Mikkola (& Carrie A. Miles):

Development and Gender Equality: Consequences, Causes, Challenges and Cures. *Discussion Paper No. 159, April 2007, HECER.*

Toni Nordlund:

Dynamic Management of R&D under Uncertainty and Competition. *Discussion Paper No. 174, July 2007, HECER.*

Panu Poutvaara (& Niclas Berggren & Henrik Jordahl):

The Looks of a Winner: Beauty, Gender, and Electoral Success. *Working Paper No. 2002, May 2007, CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany.*

Panu Poutvaara (& Vesa Kannianen):

Imperfect Transmission of Tacit Knowledge and Other Barriers to Entrepreneurship. *Working Paper No. 2053, July 2007, CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany, and IZA Discussion Paper No. 2859, June 2007, The Institute for the Study of Labor (IZA), Bonn, Germany, and Discussion Paper No. 170, June 2007, HECER, and CEBR-Discussion Paper No. 2007-18, Centre for Economic and Business Research, Copenhagen Business School, Frederiksberg, Denmark.*

Panu Poutvaara (& Marko Koethenbueger):

Rent Taxation in a Small Open Economy: The Effect on Transitional Generations. *IZA Discussion Paper No. 2559, January 2007, The Institute for the Study of Labor (IZA), Bonn, Germany and CEBR-Discussion Paper No. 2007-08, Centre for Economic and Business Research, Copenhagen Business School, Frederiksberg, Denmark and Discussion Paper No. 147, January 2007, HECER.*

Panu Poutvaara (& Marko Koethenbueger):

Rent Taxation and Its Intertemporal Welfare Effects in a Small Open Economy. *Working Paper No. 2158, December 2007, CESifo Working Papers, Center for*

Economic Studies & Ifo Institute for Economic Research, Munich, Germany.

Panu Poutvaara (& Niku Määttänen):

Should Old-age Benefits Be Earnings-tested. *CEBR-Discussion Paper No. 2007-09, Centre for Economic and Business Research, Copenhagen Business School, Frederiksberg, Denmark, and Discussion Paper No. 149, February 2007, HECER, and IZA Discussion Paper No. 2616, February 2007, The Institute for the Study of Labor (IZA), Bonn, Germany.*

Panu Poutvaara:

The Expansion of Higher Education and Time-Consistent Taxation. *CEBR-Discussion Paper No. 2007-17, Centre for Economic and Business Research, Copenhagen Business School, Frederiksberg, Denmark, and IZA Discussion Paper No. 3023, September 2007, The Institute for the Study of Labor, (IZA), Bonn, Germany, and Working Paper No. 2101, September 2007, CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany, and Discussion Paper No. 186, September 2007, HECER.*

Panu Poutvaara (& Mikael Priks):

Unemployment and Gang Crime: Could Prosperity Backfire? *CEBR-Discussion Paper No. 2007-13, Centre for Economic and Business Research, Copenhagen Business School, Frederiksberg, Denmark, and Discussion Paper No. 169, May 2007, HECER, and IZA Discussion Paper No. 2710, March 2007, The Institute for the Study of Labor (IZA), Bonn, Germany and Working Paper No. 1944, March 2007, CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany*

Panu Poutvaara (& Mikael Priks):

Hooliganism and Police Tactics: Should Tear Gas Make Crime Preventers Cry? *IZA Discussion Paper No. 2812, May 2007, The Institute for the Study of Labor (IZA), Bonn, Germany*

Panu Poutvaara (& Lars Siemers):

Smoking and Social Interaction. *CEBR-Discussion Paper No. 2007-14, Centre for Economic and Business Research, Copenhagen Business School, Frederiksberg, Denmark, and Discussion Paper No. 152, March 2007, HECER, and IZA Discussion Paper No. 2666, March 2007, The Institute for the Study of Labor (IZA), Bonn, Germany, and Working Paper No. 1956, March 2007, CESifo Working Papers, Center for Economic Studies & Ifo Institute for Economic Research, Munich, Germany and Ruhr Economic Papers 3, March 2007, Ruhr-Universität Bochum (RUB), Germany.*

Panu Poutvaara (& Mikael Priks):

Hooliganism in the Shadow of the 9/11 Terrorist Attack and the Tsunami: Do Police

Reduce Group Violence? *CEBR-Discussion Paper No. 2007-06, Centre for Economic and Business Research, Copenhagen Business School, Frederiksberg, Denmark.*

Timo Seppälä:

A Public Health Care Puzzle. *Discussion Paper No. 163, May 2007, HECER.*

Timo Seppälä:

Existence Effects of Retirement Savings Program. *Discussion Paper No. 142, January 2007, HECER.*

Janne Tukiainen:

Testing for Common Costs in the City of Helsinki Bus Transit Auctions. *Discussion Paper No. 157, April 2007, HECER.*

Juuso Vanhala and Timo Vesala (& Klaus Kultti):

Adverse selection in dynamic matching markets. *Discussion Paper No. 154, March 2007, HECER.*

Juha Virrankoski (& Klaus Kultti & Antti Miettinen):

Equilibrium Unemployment Duration in an Urn-Ball Model of the Labour Market. *Discussion Paper No. 189, October 2007, HECER.*

Jouko Verho (& Roope Uusitalo):

The effect of unemployment benefits on re-employment rates: evidence from the Finnish UI-benefit reform. *Working Paper 2007:21, The Institute for Labour Market Policy Evaluation (IFAU), Uppsala, Sweden.*

1.3 Scientific visits abroad:

Erkki Koskela:

- Research Cooperation, University of Göteborg, Sweden, 16.-23.2., 25.-29.6.2007.
- Research Cooperation, Virginia Polytechnic Institute and State University. Blacksburg, USA, 10.-18.3., 4.-16.9.2007.
- CESifo, Munchen, Germany, 17.-20.5., 21.-22.6.2007
- Research Cooperation, Free University Berlin, Germany, 12.-17.8., 18.-26.11.2007

Pentti Saikkonen:

- Research Cooperation, European University Institute, Department of Economics, Florence, Italy, 9.-29.6.2007.

Rune Stenbacka:

- Research Cooperation, University of Freiburg, Germany, 23.-28.1. 2007.
- Research Cooperation, Wissenschaftszentrum für Sozialforschung (WZB) Berlin, Germany, 20.24.6. 2007.

Markku Lanne:

- Duke University, USA, 21. - 24.6. 2007.
- Aston University, United Kingdom, 9. - 11.7. 2007.

Elias Einiö:

- Focus on PhD. thesis, University College London, United Kingdom, 1.1.-30.6., 3.-6.12. 2007.

Leena Kalliovirta:

- Focus on PhD thesis, Institute for Mathematical Sciences, University of Copenhagen, Denmark, 11.9.-20.12. 2007.

Jouko Verho:

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

Tommi Vuorenmaa:

- Focus on PhD. thesis, Princeton University, USA, 1.1.-31.5. 2007.

Panu Poutvaara:

- CEBR, Denmark, 21.-27.2., 13-16.6., 1.-8.8.,1-3.11.,29.11-2.12. 2007.
- ETH Zurich, Switzerland, 19.-24.7. 2007.
- University of Hannover, Germany, 19.-22.10.2007.
- University of Dresden, Germany, 23.-25.10. 2007.
- Max Planck Institute of Economics, Jena, Germany, 26.-29.10. 2007.
- Research Institute of Industrial Economics, Stockholm, Sweden, 6.-13.11. 2007.

1.4 Visits by foreign scholars to RUESG:

Host: Erkki Koskela

- Jan König, researcher, Free University Berlin, Germany , June, 2007.
- Ronnie Schöb, professor, Free University, Berlin, Germany, October, 2007.

Host: Panu Poutvaara

- Niclas Berggren, The Ratio Institute, Sweden, February ,2007.
- Andreas Wagener, professor, University of Hannover, Germany, April, 2007.
- JeanMarie Lozachmeur, researcher, University of Toulouse, October, 2007.

Host: Juha Virrankoski

- Hehenkamp Burkhard, professor, Universität Dortmund, May 2007.
- Niclas Berggren, doctor, The Ratio Institute, Sweden, February 2007.
- Andreas Wagener, professor, University of Hannover, Sweden, April 2007.
- Guido Friebel, researcher, IDEI, Toulouse, France, May 2007.

1.5 Lectures, invited seminar talks and conference presentations:

Luis Alvarez:

- "Mitä tarkoittaa riskien arvopaperistaminen?", Aktuaaritoiminnan kehittämissäätiön syysseminaari, 29.11.2007, Pohjolan auditorio.

Elias Einiö:

- "Effect of public R&D subsidies on private R&D: evidence from the Finnish innovation program", RUESG workshop, 25.10.2007, Economicum, Helsinki.
- "Skill-biased technical change in manufacturing industries: evidence from Finnish plant level data", Annual conference of the Royal Economic Society, 13.4.2007, University of Warwick, United Kingdom.
- "Effect of public R&D subsidies on private R&D: evidence from the Finnish innovation program", HECER Labour and Public Economics seminar, 21.11.2007, Economicum, Helsinki.
- "Skill-biased technical change in manufacturing: industry-specific indexes and evidence of sources", Student Lunch Seminar, 7.3.2007, University College London, United Kingdom.

Leena Kalliovirta:

- "Misspecification Tests Based on Quantile Residuals", Seminar in Applied Mathematics and Statistics, 21.2. 2007, Department of Mathematical Sciences, University of Copenhagen, Denmark.
- "Kvantiiliresiduaalien ominaisuudet ja käyttö epälineaaristen aikasarjamallien spesifioinnissa", Stokastics seminar, 26.2. 2007, Department of Mathematics and Statistics, University of Helsinki.
- "Quantile Residuals for Multivariate Models", RUESG Workshop, 29.3. 2007, Economicum, Helsinki.
- "Quantile Residuals for Multivariate Models", Statistical Days 2007, 10.-11.5.2007, University of Tampere, Finland.
- "Quantile Residuals for Multivariate Models", HECER Time Series Econometrics seminar, 10.9. 2007, Economicum, Helsinki.
- "Quantile Residuals and the Pearson's Test of Goodness of Fit", RUESG Workshop, 25.10. 2007, Economicum, Helsinki.

- "Quantile Residuals for Multivariate Models", 18th EC2 Meeting, 14th-15th of December 2007, Faro, Portugal.

Michal Kempa:

- "Commercial Banks' Reserves on the Interbank Market", RUESG Workshop, 29.3. 2007, Economicum, Helsinki.
- "Determinants of Commercial Banks' Demand for Reserves in the Interbank Market", RUESG Workshop, 25.20. 2007, Economicum, Helsinki.

Ilkka Kiema:

- "Modeling Commercial Piracy of Information Goods", the XXIX Annual Meeting of the Finnish Society for Economic Research, 1. 2. 2007, Lappeenranta, Finland.
- "Commercial Piracy and Intellectual Property Policy", HECER Applied Microeconomics seminar, 4. 4. 2007, Economicum, Helsinki
- "Commercial Piracy and Intellectual Property Policy", the Research Institute of the Finnish Economy, 12.6. 2007, Helsinki.
- "A Model of Commercial Piracy and Network Externalities", RUESG Workshop, 25. 10. 2007, Economicum, Helsinki.
- "A Model of Commercial Piracy and Network Externalities", FDPE Workshop on Microeconomics and Industrial Organization, 17. 12.2007, Economicum, Helsinki.

Erkki Koskela:

- "Tax Progression under Collective Wage Bargaining and Individual Effort Determination", CESifo Area Conference on "Employment and Social Protection", 19.5.2007, Munchen, Germany.
- "Discussant about Leif Danziger: "Hours and Welfare Effects of the Minimum Wage in Competitive Labor Markets"", CESifo Area Conference on "Employment and Social Protection", 19.5.2007, Munchen, Germany.
- "Equilibrium Unemployment with Outsourcing and Wage Solidarity Under Labour Market Imperfections", CESifo & HECER & RUESG workshop on "International Outsourcing", 2.6.2007, Helsinki.
- "Discussant about Andrei Shevchenko: "Outsourcing Peter to Pay Paul: High-Skill Expectations and Low-Skill Wages with Imperfect Labor Markets", CESifo & HECER & RUESG workshop on "International Outsourcing", 2.6.2007, Helsinki.
- "Equilibrium Unemployment with Outsourcing and Wage Solidarity Under Labour Market Imperfections", EALE (European Association of Labour Economics), 22.9.2007, Oslo, Norway
- "Equilibrium Unemployment with Outsourcing and Wage Solidarity Under Labour Market Imperfections", 7.11.2007, Umeå University, Sweden.
- "Equilibrium Unemployment with Outsourcing under Labour Market Imperfections ", seminar, 9.1. 2007, University of Oulu, Finland.
- Comments on Honkanen & Jäntti & Pirttilä (2007): "Työn tarjonnan kannustimet Suomessa 1995-2004", Talousneuvoston raportin esittely- ja julkistamisseminaari, HECER, 1.3. 2007, Helsinki.
- "Equilibrium Unemployment with Outsourcing and Wage Solidarity under Labour Market Imperfections", seminar, 18.4. 2007, University of Oulu, Finland.

- "Strategic Outsourcing, Profit Sharing and Equilibrium Unemployment", seminaari, 13.12. 2007, University of Oulu, Finland.

Markku Lanne:

- Tilastotieteentutkijaseminaari, 30.3.2007, University of Jyväskylä.
- "Identifying Monetary Policy Shocks via Changes in Volatility", 2007 North American Summer Meeting of the Econometric Society, 24.6.2007, Durham, North Carolina, USA.
- "Forecasting Realized Exchange Rate Volatility by Decomposition" and "The properties of market-based and survey forecasts for different data releases", International Conference on Measurement Error: Econometrics and Practice, 9.7.2007, Birmingham, United Kingdom.

Toni Nordlund:

- "Optimal R&D Management under Uncertainty", RUESG Workshop, 29.3. 2007, Economicum, Helsinki.

Panu Poutvaara:

- The Looks of a Winner: Beauty, Gender and Electoral Success, the XXIX Annual Meeting of the Finnish Society for Economic Research, 1.-2.2.2007, Lappeenranta, Finland.
- "Miksi Tuloa Tasaavat Eläkejärjestelmät Ovat Kooltaan Pienempiä?", 15.3.2007, Eläketurvakeskus, Helsinki.
- "The Looks of a Winner: Beauty, Gender and Electoral Success", 2.4.2007, ETH Zürich.
- "The Looks of a Winner: Beauty, Gender and Electoral Success", 4.10.2007, KU Leuven, Belgium.
- "Political Parties and Rent-seeking through Networks", 22.10.2007, University of Hannover, Germany.
- "Smoking and Social Interaction", 23.10. 2007, University of Dresden, Germany.
- "Political Parties and Rent-seeking through Networks", 26.10.2007, Max Planck Institute of Economics, Jena, Germany.
- "Smoking and Social Interaction", 7.11.2007, Research Institute of Industrial Economics, Stockholm, Sweden.
- "An Economic Analysis of Military Draft", 8.11.2007, Research Institute of Industrial Economics, Stockholm, Sweden.

Pentti Saikkonen:

- Stability of AR-GARCH models. 24-26.5. 2007, 4th Nordic Econometric Meeting, Tartu, Estonia.
- Predicting U.S. Recessions with Dynamic Binary Response Models. 15.6.2007, European University Institute, Florence, Italy.

Janne Tukiainen:

- UCL Doctoral Workshop, 25-26.1.2007, Leuven-la-Neuve, Belgium.
- "Participation Screen for Collusion in Simultaneous Multi-unit Auctions", plus a comment on one paper, the XXIX Annual Meeting of the Finnish Society for Economic Research, 1.-2.2.2007, Lappeenranta, Finland.

- "Participation Screen for Collusion in Simultaneous Multi-unit Auctions", RUESG workshop, 29.3.2007, Economicum, Helsinki.
- "Participation Screen for Collusion in Simultaneous Multi-unit Auctions", FDPE Microeconomics and IO seminar, 14.5. 2007, Economicum, Helsinki.
- "Participation Screen for Collusion in Auctions", Nordic Workshop in Industrial Organization (NORIO), 1-2.6. 2007, Stockholm, Sweden.
- "Participation Screen for Collusion in Auctions", 34th Conference, European Association for Research in Industrial Economics (EARIE), 6-9.9. 2007, Valencia, Spain.
- "Participation Screen for Collusion in Auctions", RUESG workshop, 25.10. 2007, Economicum, Helsinki.
- "Participation Screen for Collusion in Auctions", FDPE Microeconomics and IO seminar, 17.12. 2007, Economicum, Helsinki.

Jouko Verho:

- "The Effect of Benefit Level on the Duration of Unemployment: Evidence from the Finnish UI-benefit reform (joint with Roope Uusitalo)", the XXIX Annual Meeting of Finnish Economists, 1.-2.2.2007, Lappeenranta, Finland.
- "Health Outcomes and Business Cycles in Sweden (joint with Per Johansson and Tuomas Pekkarinen)", Microdata RTN Meeting, 15.-16..6.2007, Paris, France.
- "Scars of Recession: The Cost of Job Loss in Finland", seminar in Labour Institute for Economic Research, 5.9.2007, Helsinki.
- "The Effect of Unemployment Benefits on Re-Employment Rates: Evidence from the Finnish UI-Benefit Reform (joint with Roope Uusitalo)", Annual conference of the European Association of Labour Economists, 20.-22.9.2007, Oslo, Norway.
- "Workplace Accidents and Business Cycle: Evidence from Swedish Health registers (joint with Per Johansson and Tuomas Pekkarinen)", Microdata RTN Meeting, 18.-19.12.2007, Amsterdam, Holland.

Timo Vesala:

- "Strategic Bargaining in a Dynamic Matching Model with Threat of Bertrand Competition", the XXIX Annual Meeting of the Finnish Society for Economic Research, 1.-2.2.2007, Lappeenranta, Finland.
- "Portfolio Effects, Efficiency of Lending, and Procyclicality under Basel II ", seminar in the Research Department of the Bank of Finland, 15.3.2007, Helsinki.
- "Portfolio Effects and Efficiency of Lending under Basel II", RUESG Workshop, 29.3.2007, Economicum, Helsinki.

Juha Virrankoski:

- "Equilibrium Unemployment Duration in an Urn-ball Model of the Labour Market", European Meeting of the Econometric Society, 27.-31.8.2007, Budapest, Hungary.
- "Equilibrium Unemployment Duration in an Urn-ball Model of the Labour Market", HECER Labour and Public Economics Seminar, 2.5.2007, Economicum, Helsinki.

Tommi Vuorenmaa:

- "Decimalization, Realized Volatility, and Market Microstructure Noise", Bendheim Center for Finance Student Research Workshop, 06.03.2007, Princeton University, USA.
- "Decimalization, Realized Volatility, and Market Microstructure Noise", HECER Time Series Econometrics Seminar, 24.09.2007, Economicum, Helsinki.
- "Decimalization, Realized Volatility, and Market Microstructure Noise", Graduate School of Finance Joint Research Seminar, 19.11.2007, Helsinki School of Economics and Business Administration.

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

Luis Alvarez:

- International Journal of Theoretical and Applied Finance (referee)
- Applied Mathematics & Optimization (referee)
- SIAM Journal of Control and Optimization (referee, 2 times)
- Economic Theory (referee)
- Journal of Economic Dynamics and Control (referee)
- Journal of Macroeconomics (referee, 2 times)
- European Journal of Finance (referee)
- Economic Modeling (referee)
- Journal of Applied Probability (referee)

Leena Kalliovirta:

- Finnish Economic Papers (referee)

Ilkka Kiema:

- Management Science (referee)

Erkki Koskela:

- Bulletin of Economic Research (referee)
- Forest Science (referee)
- Papers in Regional Science (referee)
- Finance Research Letters (referee)
- International Tax and Public Finance (referee, 2 times)
- Regional Science and Urban Economics (referee)
- Environmental and Resource Economics (referee)
- Journal of Public Economics (referee, 2 times)
- FinanzArchiv (referee)
- Economic Modelling (referee, 2 times)
- Journal of Environmental Economics and Management (referee)
- The European Journal of Finance (referee)
- Journal of International Food and Agribusiness Marketing (referee)
- Journal of Food Products Marketing (referee)
- Natural Resource Modeling (referee)
- the Scandinavian Journal of Economics (referee)

- Economics (referee)
- Journal of Macroeconomics (referee)
- Oxford Economic Papers (referee)
- Annals of Forest Science (referee)

Markku Lanne:

- Studies in Nonlinear Dynamics & Econometrics (referee)
- Journal of Environmental Economics and Management (referee)
- Energy (referee)
- Journal of Applied Econometrics (referee)
- Manchester School (referee)
- Economics Bulletin (referee)
- Journal of Futures Markets (referee)
- Economics Letters (referee)

Toni Nordlund:

- Finnish Economic Papers (referee)

Panu Poutvaara:

- Finnish Economic Papers (editor)
- The B.E. Journal of Economic Analysis & Policy (referee)
- Economics of Education Review (referee)
- International Sociology (referee)
- Journal of Development Economics (referee)
- Journal of the European Economic Association (referee)
- Journal of Public Economic Theory (referee)
- Journal of Public Economics (referee)
- Journal of Population Economics (referee)
- Review of International Organizations (referee)

Rune Stenbacka:

- European Economic Review (referee)
- International Journal of Industrial Organization (referee)
- Journal of Economic Behavior & Organization (referee)
- International Review of Economics & Finance (referee)
- Review of Economic Studies (referee)
- The Scandinavian Journal of Economics (referee)
- Journal of International Economics (referee)
- Journal of European Economic Association (referee)
- Information Economics & Policy (referee)
- Journal of Economics and Business (referee)
- Finnish Economic Papers (referee)

Timo Vesala:

- Journal of Institutional and Theoretical Economics (referee)

Jouko Verho:

- Finnish Economic Papers (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).
- Chairman of board in HECER, 1.1.-31.5. 2007.
- Academia Europaea (member).

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).

Panu Poutvaara:

- Helsingin yliopiston asiantuntijapooli (member).

Timo Vesala:

- The Finnish Society for Economic Research (chairman).

1.8 Evaluation reports for positions

Markku Lanne;

Technion - Israel Institute of Technology.

1.9 Examinations and pre-examinations of doctoral dissertations

Markku Lanne:

Helinä Laakkonen: "The Effect of Macroeconomic News on Exchange Rate Volatility", University of Jyväskylä, Finland.

Jani Luoto: "Applied Bayesian Inference on Long-Run Growth and Inflation Dynamics", University of Jyväskylä, Finland.

Katja Ahoniemi: "Modeling and Forecasting Implied Volatility", Helsinki School of Economics and Business Administration, Helsinki.

Panu Poutvaara:

Thomas Jonsson: "Essays on Agricultural and Environmental Policy", Umeå University, Sweden.

Sanna Tenhunen: "Essays on the Theory of Optimal Taxation", University of Tampere, Finland.

1.10 Other scientific activity:*Erkki Koskela:*

Research Fellow in CESifo, Munchen, Germany.

Research Fellow in IZA, Bonn, Germany.

CESifo-HECER-RUESG Conference "International Outsourcing" in Helsinki: Organizer and Presentation (June 1-2, 2007).

Lectures about "Macroeconomics, Fiscal policy and Labour Markets" in Finnish Doctoral Programme in Economics (FDPE), (January-March, 2007, 24 hours).

Lectures about University of Oulu, "Optimointi Stokastisten Prosessien Tapauksessa" in University of Oulu (June, 2004, 12 hours).

Organized Doctoral Seminars: (13): RUESG workshops in Economicum, Helsinki, 29.3. and 25.10. 2007 and HECER Labour and Public Economics seminars (11), 2007, in Economicum, Helsinki.

Panu Poutvaara:

Income Taxes, Property Values and Migration, World Meeting of the Public Choice Societies, 29.3.-1.4.2007 in Amsterdam, Holland.

The Looks of a Winner: Beauty, Gender and Electoral Success, CESifo Area Conference on "Public Sector Economics", 19.4.-22.4. 2007, Munchen, Germany.

Public and Private Education in an Integrated Europe: Studying to Migrate and Teaching to Stay? CESifo Area Conference on "Employment and Social Protection", 20.-22.5.2007, Munchen, Germany.

Political Parties and Rent-seeking through Networks, Silvaplana Workshop on Political Economy, 25.-29.7.2007, Silvaplana, Switzerland.

Unemployment and Gang Crime: Could Prosperity Backfire? Annual Meeting of European Economic Association, 27.-31.8. 2007, Budapest, Hungary.

Rune Stenbacka:

CESifo-HECER-RUESG Conference "International Outsourcing" in Helsinki: Organizer and Presentation (June, 2007).

Invited Presentation "Topical Issues in European Competition Policy", Helsinki Business Law Forum (March, 2007).

Invited Research Seminar at University of Oslo (April, 2007).

Invited Lectures "Anticompetitive Practices: The Economics of Article 82" (12 hours) at CRESSE The European Summer School of Competition and Regulation, held at Corfu and organized by University of Athens (July 2007).

Conference Presentation at European Association for Research in Industrial Economics (EARIE) Annual Conference in Valencia (September 2007).

Presentation by invitation at Centre for Economic Policy Research (CEPR) conference “Banking and the Macroeconomy”, Zurich (October 2007).
 Conference the Pros and Cons of High Prices organized by the Swedish Competition Authority (November 2007).

2. Other societal duties 2006

2.1 Expert duties and positions of trust

Erkki Koskela:

- Research Unit of Economic Structures and Growth (REASG) director.
- Evaluations of Applications (9) for: University College London, Norges Bank, the World Bank, Suomen Arvopaperimarkkinoiden Edistämissäätiö, Yrjö Jahanssonin Säätiö, Suomen Kulttuurirahasto.
- CESifo Economic Studies, (an associate editor).
- The Open Forest Science Letters, (member).
- The Open Forest Science Reviews, (member).

Pentti Saikkonen:

- Econometric Theory, Co-Editor.
- Stochastic Processes and their Applications, Referee.

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).
- Professor of Industrial Economics, Göteborg University 01.01-31.08.2007.
- Member of Programme Committee: European Finance Association Conference 2007.
- Member of the Board and Executive Committee: HECER.
- Member of Evaluation Committee for Doctoral Dissertation: Göteborg University.
- Evaluation for Position as Lecturer in Economics, Mitthögskolan, Sweden.
- 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.

Suomen Arvopaperimarkkinoiden Edistämissäätiön palkinto Luis Alvarezin kanssa vuonna 2007 artikkelista *"Irreversible Investment under Interest Rate Variability: Some Generalizations"*.

Panu Poutvaara:

"A phone interview for an article on the role of beauty in politics, published in the January 20th-26th issue, page 65.", *The Economist*.

"An interview on the role of beauty in politics", *Yliopisto-lehti*, 26.2. (2007) and SR Sisuradio (a Finnish radio channel of Swedish Radio), 31.1. (2007), Sweden.

"En intervju om betydelse av skönhet i politik", *Hufvudstadsbladet*, 2.2. (2007).

"Haastattelu asevelvollisuuden taloudellisesta analyysistä", SR Sisuradio (a Finnish radio channel of Swedish Radio).

3. Degrees attained:

The following RUESG members (or former members) attained doctor's degree during 2007:

Helena Holopainen, PhD Economics, January 2007;

(supervisors: Seppo Honkapohja, Erkki Koskela, Rune Stenbacka; examiners: Matti Suominen, Juuso Välimäki).

Mikael Juselius, PhD Economics, June 2007;

(supervisors: Erkki Koskela, Rune Stenbacka; examiners: Ragnar Nymoén, Antti Ripatti).

Juuso Vanhala, PhD Economics, February 2007;

(supervisors: Seppo Honkapohja, Erkki Koskela, Rune Stenbacka; examiners: Pieter Gautiers, Tuomas Takalo).

In Finnish RUESG is called RAKA (Talouden rakenteiden ja kasvun tutkimusyksikkö).