

## Helsingin yliopisto - Helsingfors universitet - University of Helsinki ID 2000-725

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| Työn nimi-Arbetets titel-Title<br>Essays on Taxes and Wage Formation   |   |  |  |
| Oppiaine-Läroämne-Subject<br>Economics   |   |  |  |
| Työn laji-Arbetets art-Level<br>Doctoral dissertation  | Aika-Datum-Month and year<br>2000-11-17 | Sivumäärä-Sidantal-Number of pages<br>73                 |  |
| <p>Tiivistelmä-Referat-Abstract</p> <p>The three essays in this collection approach taxation as a group of policy instruments, and study how their use is connected to and affected by wage formation in the economy. Two essays have been published and the third is forthcoming in scientific journals. There is also an introductory essay summarising the three essays and relating them to other studies.</p> <p>In the first essay the role of taxation is to act as an automatic stabiliser in the face of different shocks. Wage formation is uninstitutional. The policy instrument is the degree of indexation of income taxes to prices. The essay combines two theoretical models from previous literature. The essay shows that earlier results, concerning both income tax indexation and the role of openness in deciding the optimal degree of wage indexation, do not hold under some more general assumptions.</p> <p>The second essay was originated by the tax threat experiment in Finland in the late 1980s. The aim of policy is to cure an acute inflation problem. Thus the time horizon is one bargaining round. Several trade unions take part in wage bargaining. The policy instrument is a conditional threat to increase taxes. The study develops a one-shot game describing the determination of the threat and the decisions of the unions. The article gives one possible rationalisation for the use and success of tax threat policies, and discusses reasons why this instrument is not used more often.</p> <p>In the third essay the aim of policies is to increase efficiency and welfare in the economy. The time span is several decades, long enough for households and firms to have fully adjusted their behaviour to the tax and transfer structure. Wage setting is done by majority-voting by life-cycle optimisers in a centralised monopoly union. The essay extends a well-known dynamic general equilibrium simulation model to include a trade union. Tax and transfer structure is shown to affect the economy through dynamic channels and in a way which depends significantly on wage formation.</p> |   |  |  |
| Avainsanat-Nyckelord-Keywords  |   |  |  |
| Säilytyspaikka-Förvaringsställe-Where deposited  |   |  |  |
| Muita tietoja-Övriga uppgifter-Additional information<br>ETLA A 32 ISSN 0356-7435  |   |  |  |