

# Introduction and Overview

**Andrzej Cieřlik**; Department of Macroeconomics and International Trade, Faculty of Economic Sciences, Warsaw University, ceslik@wne.uw.edu.pl

The following papers included in this special issue of *Ekonomia Journal* are edited versions of a selected number of papers from those presented at the Warsaw International Economic Meeting held on July 1–2, 2006 at Warsaw University and organized in cooperation with Warsaw Institute for Socio-Economic Research (WISER). The Meeting was sponsored by Bank Pekao SA and the National Bank of Poland. The main aim of the Meeting was to bring together economic theorists and applied economists from Poland and abroad and create a platform for the mutual exchange of their ideas that would eventually lead to the formation of international research networks. Selected contributions cover great diversity of topics and place emphasis on the policy relevance of their substantive results, propose new data sources and research methods as well as evaluate empirically existing economic theories. The content of this volume is as follows.

In the first paper in this special issue “Single Mindedness Theory: Micro Foundation and Application to Labor Market” Emanuele Canegrati introduces a new political economy approach to explain main features of contemporary social security systems. This approach builds on the single mindedness theory which assumes that different social groups depending on their number, density and single mindedness are able to influence government actions and turn them in their favor. Using a modified OLG model in his theoretical analysis the author shows that to win elections governments set the optimal taxation structure in such a way that the old receive a net transfer from the young. In order to solve a free-riding problem among group members a more single minded group is taxed with higher tax rates. This in turn induces earlier retirement and stimulates lobbying activity.

In the second paper “Impact of International Trade on Employment in Polish Industrial Sector” Gabriela Grotkowska studies the role of international trade in determining the pattern of industrial employment in Poland using panel data for the last ten years. She estimates the elasticity of employment with respect to international trade flows taking into account both direct and indirect impact of trade. The empirical evidence shows that both exports and imports exert a significant impact on the labor market in Poland. Exports tend to increase employment, while imports to decrease it with the positive

net effect. Moreover, the overall employment effect is stronger for low-skilled workers than for high-skilled workers. The author concludes that other factors than international trade are responsible for the fall in industrial employment in Poland.

In the third paper “Stylized Facts of Macroeconomics: Polish Experience” Katarzyna Rosiak-Łada investigates the behavior of main macroeconomic aggregates in Poland in the post-communist period. Her detailed empirical analysis of quarterly frequency dynamics shows that key macroeconomic stylized facts including Kaldor economic growth facts as well as those related to the labor market apply also to a country in transition provided that it is possible to identify the outliers and use robust estimation techniques. In particular, the author shows that the hybrid model is preferred to New Keynesian and New Classical Phillips curves.

In the fourth paper “Effect of Wealth on Consumption Expenditures: Cross Country and Cross Socio-Demographic Group Comparisons” Eva Sierminska and Yelena Takhtamanova evaluate empirically the impact of wealth on consumption in three OECD countries: Canada, Finland and Italy. The authors use harmonized microeconomic datasets that come from the Luxembourg Wealth Study. They study both between and within country differences in the housing and financial wealth effects according to socio-demographic characteristics. The authors find that the estimated housing wealth effect was stronger than the financial wealth effect in all countries. They also report significant differences in these effects by age, gender and family composition concluding that their results are consistent with the predictions of the standard life cycle hypothesis.

In the fifth paper “Top Down Approach to Calculation of Insurance Premium” Wojciech Otto studies the problem of coherent pricing of individual risks when the risk for the whole portfolio is set proportionately to the standard deviation. A typical solution to this problem is based on the Shapley value for  $n$ -player game. However, this solution is appropriate only for the case with a small number of players as the Shapley value does not remain unchanged under aggregation of individual risks. In his theoretical work the author argues that in the large group case to allocate the premium loading the variance principle should be used instead of the Shapley value.

Finally, in the last paper “Balassa-Samuelson Effect in Poland: Is Real Convergence Threat to Nominal Once?” Leszek Wincenciak estimates the magnitude of Balassa-Samuelson effect for Poland during the transition period. He first shows that Poland is experiencing faster productivity growth than the EU-15 core countries and this growth is mainly located in the tradable goods sector. Then he demonstrates using quarterly data for 1995–2004 that it can be difficult for Poland to meet simultaneously the inflation stability and the fixed exchange rate criteria necessary for common currency adoption stated in the Maastricht Treaty. Therefore, incompatibility of these

two convergence criteria may in his view delay the joining of the European Monetary Union.

Thanks to generosity of Bank Pekao SA the WIEM2006 best paper prize for two young scholars was awarded. Short biographical information about the WIEM prize laureates and the extended abstracts of the awarded papers are presented in the last part of this volume.