



## Erkki Koskela

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**PROFESSOR ERKKI KOSKELA** died in Helsinki on 28 June 2020 after a long illness. He was born on 16 December 1946 and grew up in Peräseinäjoki. Koskela passed his matriculation examination in the general upper secondary school of Seinäjoki and obtained a master's degree in social sciences at the University of Helsinki in 1968. This was followed by a licentiate in 1971 and the public defence of his doctoral thesis in social sciences in 1976.

The early years of Erkki Koskela's career and post-graduate studies took place in his alma mater, the University of Helsinki. After completing his master's degree, he first worked as Assistant in Economics. In early 1971, he became a researcher in a research group named Monetary Workshop, led by Professor Jouko Paunio. Monetary Workshop was a major stronghold of post-graduate education in economics in the 1970s; many renowned Finnish economists obtained their research education there.

After earning his doctorate, Koskela spent the academic year of 1976–1977 at Princeton University with an ASLA-Fulbright grant. In 1981, he was appointed Professor of Economics at the University of Helsinki, a post he held until 2006. Af-

ter this, his career reached its peak in the five-year term as Academy Professor, which was unfortunately cut short by a severe illness.

The normal official duties of a professor are typically interrupted by various research leaves and visits. Erkki Koskela was very active in this respect and made research visits to numerous research institutes and universities in Finland and abroad. Some of his closest institutional partners were the Research Unit of the Bank of Finland, the Centre for Economic Studies at the University of Munich (LMU) and the Otto von Guericke University Magdeburg in Germany, and the Virginia Polytechnic Institute and State University in the United States.

Erkki Koskela has had a profound impact on Finnish economics as an educator. One of his special merits was the active-ness in supervising young researchers in post-graduate education. He supervised more than 50 doctoral theses during his career. Koskela co-headed a national Centre of Excellence, the Research Unit of Economic Structures and Growth (RUESG) from 1995–2008. In addition to RUESG, it is worth mentioning Koskela's contribution to post-graduate training in econom-

ics in the form of managerial positions in both the Finnish Doctoral Programme in Economics (FDPE) and the Helsinki Center for Economic Research (HECER).

Erkki Koskela received several major recognitions in his career. He was elected a member of the Finnish Academy of Science and Letters in 1993 and a member of *Academia Europaea* in 2000. The University of Oulu gave him an honorary doctorate in 2002. He was a member of the Board of the Finnish Academy of Science and Letters and the Treasurer of the Academy from 2005–2010. His international academic positions include membership in the editorial board of the *Scandinavian Journal of Economics* and working as an editor of the *Forest Science* journal from 2001–2004 and as Associate Editor of the *CESifo Economic Studies* journal from 2003–2010. Koskela was also a Fellow in both the CESifo and the IZA research networks. From 1995–1999, he was a member of the Council of the European Economic Association and has been a member of the juries of the Söderbergpriset and the Yrjö Jahnsson Award, among others.

Throughout his career, Erkki Koskela had a passion for research in economics. His research work is characterized by an extensive knowledge of economic literature and the active monitoring of new research. Indeed, he was considered a “walking library” of his field. This well-read nature is perhaps also the underlying reason for the fundamental feature of Koskela’s profile as a researcher, namely, the wide-ranging scope of his research. He published world-class theoretical and empirical research in, e.g., the following sub-disciplines of economics: the credit market, saving behaviour, macroeconomics, taxation and the labour market, and the economics of the en-

vironment and natural resources. The various areas of Koskela’s research and the themes of the work are described below.

In 1976, Erkki Koskela defended his ambitious, comprehensive doctoral thesis entitled “A Study of Bank Behaviour and Credit Rationing”. His opponent was Professor Dwight Jaffee from Princeton University. In terms of its topic, the thesis was without a doubt at the forefront of the research conducted at the time. The premise of the thesis was that credit rationing occurs as the optimal behaviour of a profit maximizing bank when asymmetric information prevents the bank from practicing price discrimination based on the customer’s risk. The key contribution of Koskela’s work within this framework concerned the effects of credit rationing on the transmission mechanisms of monetary policy in various institutional environments in the financial sector. Successful researchers often return to their roots in their research topics at a more mature stage of their long career. Erkki Koskela was no exception.

The focus of Koskela’s research shifted in the 1980s from saving behaviour to empirical research. The shift stemmed from observations in the 1980s of a decrease in the savings rate in many countries. Another observation made at the same time was that the size of the decrease in the savings rate varied from country to country. It can be said that the empirical saving behaviour projects led by Koskela in the 1980s were some of the first systematic, long-term research programmes in Finland that aimed to meet international standards and inspired a number of international articles and postgraduate degrees.

Koskela’s research also dealt with more general topics in macroeconomics from

both an empirical and a theoretical perspective. Some examples of this are the empirical study on the dependence between gross domestic product and inflation, the empirical work concerning inflation and money demand and the theoretical model for mitigating macroeconomic fluctuations by means of taxation. The 1990s depression in Finland had a significant impact on Koskela's research in macroeconomics. For obvious reasons, he started to study the factors affecting the depression in Finland empirically. Koskela's research collaboration with several other Finnish researchers also gained international attention. The crisis experienced by Finland was one of the deepest financial crises in the developed market economy countries in relation to the size of the national economy.

As is fitting for a professor of public economics, various themes of taxation have been among Koskela's fields of research all along, ever since the early 1980s. The structure of taxation, progression and tax evasion were some of Erkki Koskela's main research interests in the 1980s. One of his fairly well-known studies is the one examining the effects of taxation structure and its changes on the risk-taking of economic agents. In the early 1990s, Koskela's interest started to shift increasingly towards the significance of labour market imperfections, i.e., trade unions, in the public economy and other themes. Applied studies concerning Finland shed light on the effects of wage negotiation by trade unions on, e.g., taxation and the rest of economy. Koskela's theoretical study on the impact of tax progression on unemployment also gained international recognition. His later research focused on environmental

taxation as well. The premise of the study was the effects of market imperfections on taxation.

From the turn of the millennium, Koskela's research priorities expanded to also include the economics of the environment and natural resources. His contribution to this field can be roughly divided into two main themes: analysis on the use of forests and analysis on the effects of interest rate risk on the length of the optimal rotation cycle of forest resources. Economics provides a set of tools for examining how the income from cutting wood and the other benefits of the forest can be reconciled in a socially optimal manner. By comparing the social optimum with the private optimum, Erkki Koskela characterized policy instruments that help steer private forestry towards social efficiency. Although traditional literature in forest economics had long been aware of the impact of random intertemporal choice of stumpage prices and thereby the felling value of the forest on the length of the optimal rotation cycle, it had mainly overlooked the effects of the random temporal structure of interests on the optimal timing of the felling decision. Koskela made significant contributions to this complex problem in his studies published in 2005 and 2006.

All in all, it can be said that Erkki Koskela's research activities focused on questions that are socially significant and relevant for economic policy. As he gained more experience, many foreign colleagues also joined his research collaboration.

In his career, Erkki Koskela held several key expert positions in the field of economic policy, such as during the 1990s crisis and as a member of the EMU team appointed by the Prime Minister prior to

Finland joining the Economic and Monetary Union. Koskela was an active, respected participant in the public debate on economic policy for decades.

Erkki Koskela is unquestionably one of the most prominent characters of the post-war generation contributing to the establishment of modern, internationally

oriented economics in Finland. Ever since the 1980s, he was an important source of inspiration not only to numerous cooperation partners, but a whole new generation of Finnish economists. As a person, Erkki was a colourful character whose roots in Finland and Ostrobothnia were easy to see.

*Obituary by Seppo Honkapohja  
and Rune Stenbacka*