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**INFLATION IN THE
OPEN ECONOMY:
A NORWEGIAN MODEL**

By Odd Aukrust

**INFLASJON I EN ÅPEN ØKONOMI:
EN NORSK MODELL**

OSLO 1977

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PREFACE

This paper was written in 1975 at the invitation of Brookings Institution, Washington D.C., as part of a research program on world-wide inflation. The paper was discussed at a conference which took place at Brookings the same autumn. The proceedings from this conference are now available in a volume published by Brookings. The Central Bureau of Statistics of Norway is grateful to Brookings Institution for permission to reprint this paper.

The ideas contained in the models of this paper grew out of research work undertaken at the Central Bureau of Statistics of Norway during the early 1960s. Thus the distinction between sheltered and exposed industries was introduced for the first time in the Bureau's Economic Survey 1962. The models themselves were formulated and published in 1966 in two reports by a group of three economists who were called upon to provide background material for that year's round of negotiations on wages and agricultural prices. Members of the committee (Utredningsutvalget for inntektsoppgjørene 1966) were Chairman Odd Aukrust, Fritz C. Holte, Agricultural College of Norway, and Gerhard Stoltz, Norwegian School of Economics and Business Administration. The committee produced two reports. The first of these contained the multisector, short-term model summarized on pages 113-117 (see also note 16). The second report, which was a study of the causes of long-run price developments in Norway, contained the two-sector, long-term model described on pages 117-122 (see also Innstilling II fra Utredningsutvalget for inntektsoppgjørene i 1966, avgitt 20. oktober 1966 [Second Report of October 20, 1966, by the Reporting Committee for the 1966 Income Settlement] Oslo: Office of the Prime Minister, 1967).

Central Bureau of Statistics, Oslo, 23 June 1977

Odd Aukrust

FORORD

Denne artikkelen ble skrevet i 1975 på oppdrag fra Brookings Institution, Washington D.C., som ledd i et forskningsprogram om inflasjonsproblemet i verden. Artikkelen ble lagt fram på en konferanse ved Brookings samme høst. Referat fra konferansen foreligger nå i bokform. Statistisk Sentralbyrå uttrykker sin takk til Brookings Institution for tillatelse til å trykke opp igjen artikkelen.

De modeller som blir diskutert i dette arbeid inneholder ideer som opprinnelig ble utviklet i Statistisk Sentralbyrå tidlig i 1960-årene. Den grunnleggende sontring mellom skjermede og konkurranseutsatte sektorer ble således brukt for første gang i Økonomisk utsyn 1962. Selve modellene ble formulert og publisert i 1966 av Utredningsutvalget for inntektsoppgjørene 1966, et utvalg som hadde i oppdrag å legge til rette bakgrunnsmateriale for inntektsoppgjørene i 1966. Medlemmer av utvalget var Odd Aukrust (formann), dosent Fritz C. Holte, Norges Landbrukshøgskole og professor Gerhard Stoltz, Norges Handelshøyskole. Utvalget leverte to rapporter. Den første av disse (Innstilling fra Utredningsutvalget for inntektsoppgjørene 1966, avgitt 22. januar 1966. Statsministerens kontor 1966) inneholdt korttidsmodellen PRIM, som er beskrevet i sammendrag på sidene 113-117 i det følgende. Den andre rapporten (Innstilling II fra Utredningsutvalget for inntektsoppgjørene i 1966, avgitt 20. oktober 1966. Statsministerens kontor 1967) var en analyse av årsakene til prisutviklingen i Norge på lengre sikt; denne rapporten inneholdt den langsiktige to-sektor-modellen beskrevet på sidene 117-122.

Statistisk Sentralbyrå, 23. juni 1977

Odd Aukrust

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Odd Aukrust, Statistisk Sentralbyrå, points out that the ideas contained in the models of this paper grew out of research work undertaken at the Central Bureau of Statistics of Norway during the early 1960s. Thus the distinction between sheltered and exposed industries was introduced for the first time in the Bureau's *Economic Survey 1962*. The models themselves were formulated and published in 1966 in two reports by a group of three economists who were called upon to provide background material for that year's round of negotiations on wages and agricultural prices. Members of the committee (Utredningsutvalget for inntektsoppgjørene 1966) were Chairman Odd Aukrust, Fritz C. Holte, Agricultural College of Norway, and Gerhard Stoltz, Norwegian School of Economics and Business Administration. The committee produced two reports. The first of these contained the multisector, short-term model summarized on pages 113–17 (see also note 16). The second report, which was a study of the causes of long-run price developments in Norway, contained the two-sector, long-term model described on pages 117–22 (see also *Innstilling II fra Utredningsutvalget for inntektsoppgjørene i 1966, avgitt 20. oktober 1966* [Second Report of October 20, 1966, by the Reporting Committee for the 1966 Income Settlement] Oslo: Office of the Prime Minister, 1967).

Inflation in the open economy: A Norwegian model

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