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Discussion Papers

No. 192.
A comparison of personal sector saving rates in the UK, US and Italy
by Tatiana Kirsanova and James Sefton
The 1996 approach of Gokhale, Kotlikoff and Sabelhaus, based on the life-cycle model of savings, is here developed to decompose the large differences in the personal sector saving rates between the UK, US and Italy. The work suggests that the US saving rate is lower principally because Americans on average retire later. The Italian saving rate is high predominantly because Italians are unable to borrow, especially when they are young. It was also found that demography and the different tax and benefit systems are able to explain little of the cross-sectional differences in saving rates. The study estimates the size of, and accounts for the possible importance of, intergenerational private transfers in determining saving rates.

No. 193.
Credibility of the Russian stabilisation programme in 1995–98
by Tatiana Kirsanova
This paper investigates the price stabilisation process under the policy commitment to an exchange rate based programme using a formal model which allows quantification of the credibility role in the price stabilisation process and assesses the extent to which the economic fundamentals can affect the reputation of policymakers. The model is estimated using Russian data for the IMF stabilisation programme, preceding the 1998 rouble collapse.

No. 194.
Aggregate versus disaggregate survey-based indicators of economic activity
by James Mitchell, Richard J. Smith and Martin R. Weale
Qualitative survey data are used widely to provide indicators of economic activity ahead of the publication of official data. Traditional indicators exploit only aggregate survey information, namely the proportions of respondents who report 'up' and 'down'. This paper considers disaggregate or firm-level survey responses. It derives alternative disaggregate indicators of economic activity relating firms' categorical responses to official data using ordered discrete-choice models. An application to firm-level survey data from the Confederation of British Industry shows that the disaggregate indicators of manufacturing output growth provide more accurate early estimates of manufacturing output growth than traditional aggregate indicators.

No. 195.
Fiscal incentives, European integration and the location of foreign direct investment
by Florence Hubert and Nigel Pain
Foreign direct investment in the European Economic Area (EEA) has grown rapidly in recent years. This paper tests for structural change in the geographical and industrial pattern of FDI in Europe using a panel data set on outward investment by German companies in the EEA since 1980. There is evidence of significant structural change since 1990, with nearly all locations and industries seeing a higher level of cross-border investment than might have been expected. An investigation is also carried out into the scope for national governments to affect location choice through the use of fiscal instruments such as corporation taxes, investment in infrastructure and other forms of development grants and subsidies.

No. 196.
How important are automatic stabilisers in Europe? A stochastic simulation assessment
by Ray Barrell and Álvaro M. Pina
In this paper budgetary stabilisers are formalised as a set of simple policy rules, and their operations assessed in an uncertain environment by performing stochastic simulations in a forward-looking multi-country macroeconometric model, NiGEM, comprising individual blocks for 10 Euroland economies. Automatic stabilisers make output volatility decrease by 11 per cent for Euroland as a whole – less than in previous studies, as these have overemphasised demand shocks. It was also found that, provided countries comply with their announced fiscal consolidation programmes, built-in stabilisers and the Stability and Growth Pact are broadly compatible.

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Aims and Scope

The *Review* is the quarterly publication of the National Institute of Economic and Social Research – one of Britain's oldest and most prestigious independent research organisations. The Institute's objective is to promote, through quantitative research, a deeper understanding of the interaction of economic and social forces that affect people's lives so that they may be improved. It has no political affiliation, and receives no core funding from government. Its research programme is organised under the headings of Economics, Modelling and Analysis; Productivity; Education and Training and the International Economy.

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