

No. 174
October 2000

niesr

National Institute Economic Review

4/2000

National Institute of Economic and Social Research

Discussion Papers

No. 169.

Cointegrating VAR models with endogenous I(0) variables: theoretical extensions and an application to UK monetary policy

by George Kapetanios, James Mitchell and Martin R. Weale

This paper generalises the manner in which I(0) variables enter cointegrating VAR models. Rather than assuming the I(0) variables are strictly exogenous the I(0) variables are allowed to depend on linear combinations of the cointegrating vectors. As well as representing a more general statistical representation of a set of variables in a cointegrating VAR model, the approach facilitates structural interpretation of the equations governing the determination of the I(0) variables. In contrast to traditional structural VAR models identification of the short run relations, or equivalently the structural shocks, corresponding to the I(0) variables is achieved without the imposition of a priori restrictions on the contemporaneous relations between the I(1) variables and/or the variance-covariance matrix of the structural shocks. Our approach is illustrated with an application to UK monetary policy.

No. 170.

From unemployment to self-employment: developing an effective structure of micro-finance support

by Hilary Metcalf and Roger Benson

For the last two decades, the state has provided assistance to unemployed people wishing to enter self-employment. The emphasis of assistance has been on advice and training. Financial support has tended to be highly restricted. Yet research has indicated that low initial financing may contribute to business failure and that unemployed people face barriers to accessing commercial loans. The aim of this paper is to examine whether there is a case for government micro-finance assistance to enable unemployed people to enter self-employment and to identify the way in which support might be better structured and provided.

The paper draws on the findings of a large-scale international research project conducted for the ILO. In the UK this included surveys of micro-finance providers, micro-finance intermediaries and unemployed people and discussions with commercial lenders and senior policy makers.

No. 171.

The determinants of pay levels and fringe benefit provision in Britain

by John Forth and Neil Millward

The impact of trade unions upon pay levels has long been demonstrated, but the contraction of the union sector in Britain calls this into question. Analysis of the Workplace Employee Relations Survey shows that there is still a union premium for some employees covered by collective bargaining and that this effect spills over to other employees in the same workplaces. Circumstances where the union effects are strongest are identified.

Price £4 each or on subscription at £30 for 10 discussion papers.

NEW BOOKS

Econometric Modelling: Techniques and Applications
Edited by Sean Holly and Martin Weale

Now available in bookshops and from Cambridge University Press, price £45 hardback. For further details please see our website, www.niesr.ac.uk.

From Unemployment to Self-Employment: the Role of Micro-Finance

H. Metcalf, T. Crowley, T. Anderson and C. Bainton

Available from the ILO UK Office, price £9.95 paperback + 10% p&sp. [Tel: 020 7828 6401, e-mail: ipu@ilo-london.org.uk].

The National Institute Annual Report and a list of Diary Dates is available free on request from the Publications Office and on our website at www.niesr.ac.uk.

All publications are available from:

NIESR Publications Office
2 Dean Trench Street
Smith Square
London SW1P 3HE

National Institute of Economic and Social Research

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 has no political affiliation, and receives no core funding from government. Its research programme is organised under the headings of Economic Modelling and Analysis, Productivity, Education and Training and the International Economy.

Reflecting its aim to combine high quality academic research with the needs of business and policy, the Institute's Council of Management includes senior figures from each of these spheres. Membership is as follows:

Sir Brian Corby (President)
J.S. Flemming (Chairman)
Professor C. Bean
Professor W. Buiter
Sir Ian Byatt
E. Cairncross
Sir John Craven
Professor C. Goodhart
Sir Stanley Kalms
R. Kelly MP
H.H. Liesner
Sir Peter Middleton
J. Monks
Dr S. Wadhvani
Professor K. Wallis
M.R. Weale (Director)

Comments on all areas of the Institute's work are welcome, and should be addressed to the Secretary:

F. Terry
National Institute of Economic and Social Research
2 Dean Trench Street, Smith Square
London, SW1P 3HE
Tel no. 020 7654 1920
Fax no. 020 7654 1900
E-mail f.terry@niesr.ac.uk

Information for contributors and subscribers

The *Review* welcomes the offer of high quality articles. Content should relate in some way to the explanation of economic performance (broadly defined) in the UK or internationally. There is some emphasis on quantitative research. Articles should normally be research based, and comprise 4–10,000 words, excluding tables. All articles are externally refereed, but the *Review* is able to organise quick publication in appropriate cases. Full notes for contributors are available from *Fran Robinson* (Tel: +44(0)1650 511783; e-mail f.robinson@niesr.ac.uk).

From January 2001 the *Review* will be published by Sage Publications Ltd and all subscription enquiries (including password and user name for the on-line version) should be addressed to them at 6 Bonhill Street, London EC2A 4PU. Tel +44(0)20 7374 0645; Fax + 44(0)20 7374 8741; e-mail: subscriptions@sagepub.co.uk.

ISSN: 0027-9501

EDITORIAL BOARD

The Editorial Board takes responsibility for ensuring that contributions to the *Review* are of a suitable standard, but the views expressed in articles are those of named authors, and do not necessarily represent those of the Institute.

The Editorial Board membership is as follows:

Ray Barrell, Geoff Mason, Hilary Metcalf, Nigel Pain,
SJ Prais, Francis Terry, Martin Weale, Garry Young.
Production editor: Fran Robinson

Printed by DIRECT IMAGE, LONDON