

# National Institute Economic Review

## 3/98

*"The fiscal stimulus raises the real risk that the UK will join EMU at DM2.70. This makes a period of very slow growth and deflation likely."*

*"People are increasingly looking to China to take over as Asia's main engine of growth."*

### COMMENTARY

- Monetary and fiscal policy

### THE UK ECONOMY

- Faster growth in public spending
- Fiscal report

### THE WORLD OUTLOOK

- Prospects for Europe
- Asia crisis deepens

### RESEARCH ARTICLES

- Marcus Miller on the Far Eastern Crisis
- Sig Prais on Teaching Methods
- Nicholas Oulton on Measuring Inflation
- Robert Hart and Robin Ruffell on Employment Policy

### BRIEFING NOTE

- John Arrowsmith on the EMU Timetable



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... from the National Institute

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**Sixty years of economic research.  
A brief history of the National Institute of  
Economic and Social Research 1938–98**  
by Kit Jones

On the occasion of its sixtieth birthday, Kit Jones traces the origins of the National Institute and outlines the vast amount of research which has taken place during its existence. She describes some of the difficulties it has faced and attempts to assess its contribution to our understanding of the workings of the economy. There will always be questions about the role of an independent research institute and how it complements the work done in the universities. The book shows how the National Institute has positioned itself on an interface between academic research, policymakers and the business community.

Kit Jones joined the National Institute in 1961, where she wrote mainly on the economics of social expenditure and immigration. She was Secretary of the Institute between 1968 and 1990. Her book, *An Economist among Mandarins: A Biography of Robert Hall 1901–1988*, was published by Cambridge University Press in 1994.

*National Institute Occasional Paper no. 52*  
Price: £10.00 (pp. 81) ISBN 0 952 6213 3 9

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available on subscription at the  
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**NIESR Discussion Papers**

No. 137 *The diffusion of innovations in central and eastern Europe: a study of the determinants and impact of foreign direct investment* by Dawn Holland and Nigel Pain

The diffusion of innovations plays an important role in determining patterns of growth. Foreign direct investment is widely thought to be an important channel for the introduction of new ideas, technologies and standards to the transition economies in central and eastern Europe. This paper contains a panel data analysis of the factors affecting aggregate inflows of FDI in the ten accession economies plus Croatia over the 5-year period 1992–6. Results indicate that the method of privatisation, the extent of trade linkages with the advanced economies and proximity to the EU have significant effects on the level of investment.

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No. 138 *UK consumption in the long run: the determinants of consumer spending 1925–1995* by Andrew P. Blake, Gonzalo Camba-Mendez and Martin Weale

Study of long runs of economic data makes it possible to distinguish between unit root processes and deterministic, but broken, trends. This study finds that most of the variables to be used in a consumption function have deterministic trends. The authors estimate a modified life-cycle model over the period 1925–95, finding satisfactory and stable model parameters together with long-run residuals from which they can exclude broken trends, indicating that they have found a co-trending and co-breaking relationship. By contrast, the long-run residuals from a model which explains consumption in terms of income and inflation exhibit a broken trend.

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**For further details of all National Institute Publications please contact Annie Stewart at NIESR on tel 0171 654 1923 or e-mail [a.stewart@niesr.ac.uk](mailto:a.stewart@niesr.ac.uk)**

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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*.

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