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"while there has been helpful fiscal tightening since the election, the budgets have not had anything like the impact they might have had in reducing consumption"

"The downturn in Asia is starting to be felt in the West."

No 164 April 1998
Thinking the unthinkable about EMU: coping with turbulence between 1998 and 2002
edited by John Arrowsmith

It is now widely expected that on 1 January 1999 up to eleven EU Member States will form a monetary union. But before that can happen there are difficult decisions to be agreed and domestic political hurdles to be surmounted. A further 3½ years must then elapse before the euro fully replaces national currencies in 2002. The risk of a major upset occurring may be small but the years must trade data on the scale

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Thinking the unthinkable about EMU: coping with turbulence between 1998 and 2002
edited by John Arrowsmith

This paper explores the relationship between the location of production and the trade performance of 11 OECD countries since 1971. The paper augments a standard export demand model, which includes relative prices, market size and measures of relative innovation, with indicators of both inward and outward investment levels. Common long-run parameters are accepted for market size, relative prices and relative patenting, but not for the direct investment effects. The size and magnitude of the direct investment effects vary by country. Outward investment has a generally negative impact on trade shares, while inward investment has a generally positive one.

No. 134 Job Creation and Destruction in the Corporate Sector: The Relative Importance of Births, Deaths and Survivors by Peter E. Hart and Nicholas Oulton

A major new database (OneSource) of UK companies is used to estimate the contribution of independent companies of all sizes to employment change in the corporate sector over the period 1990-1992. The estimates cover jobs gained and lost by corporate births and deaths as well as employment change in surviving companies. There is no tendency for the corporate birth rate to decrease monotonically with increases in company size and there is certainly no case for postulating that new companies tend to have one optimum size such as Minimum Efficient Scale. In contrast, the corporate death rate does decrease with increases in company size. Over this period the net effect of births and deaths was negative for virtually all sizes of company. Taking account of births, deaths and survivors, only companies with 1-8 employees were net creators of jobs over this period. But the absolute numbers created were fairly small to set against losses amongst larger companies.

No. 136 The British Stake in Hong Kong: Direct Investment by Simon Broadbent and Chao-Dong Huang

Hong Kong is one of the main locations of British direct investment abroad, but discrepancies exist in official data on the scale of it. Hong Kong figures put the (end-1995) book value of the British stake in Hong Kong at about £10.6bn, nearly three times the British figure. The authors examine the reasons, largely definitional, for the gap, and conclude that £10.1bn, some 5.1 per cent of British FDI, is a reasonable estimate. Total earnings of £2.5bn a year are only exceeded by the US. The value of end 1995 British investment was about £34bn rising to a recent peak of £55bn before falling to £26bn and then once again rising. Hong Kong's FDI in Britain only amounts to about £3bn, a third of which is property based.
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