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.

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