

# National Institute Economic Review

## 2/99

### COMMENTARY

- The UK economic situation

### THE UK ECONOMY

- Grounds for optimism

### THE WORLD OUTLOOK

- Global inflation at 40-year low
- Monetary conditions ease in Europe

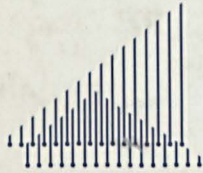
### RESEARCH ARTICLES

#### Labour market flexibility

- Bernard Casey, Ewart Keep and Ken Mayhew on flexibility, quality and competitiveness
- Ray Barrell and Véronique Genre on employment in Denmark and the Netherlands
- Stephen Wood on family-friendly management

No 168 April 1999





... from the National Institute

### NIESR Discussion Papers

No. 144 *An artificial neural network system of leading indicators* by Andrew P. Blake

An artificial neural network is constructed to act as a system of leading indicators focussing on radial basis functions as the architecture and forward selection as the method for determining the number of basis functions in the network. A brief review is given of the advantages of this as a strategy. Using common heuristics to determine scaling, radii and centre population, it is found that the results for output growth prediction for six European countries are promising.

No. 145 *Evolving patterns in manufactures import demand in the European Union: an empirical investigation of ten European countries* by Ray Barrell and Dirk Willem te Velde

European integration has changed patterns of trade and investment, and has had a significant effect on the growth process. This paper studies import demand in ten European countries over the period 1970–1995, and the objective is to investigate whether the process of European integration has had direct and indirect effects on imports. Evidence is provided for parametric change in traditional import demand equations, suggesting that important variables or structural factors are missing from the long-run equations. Equations are presented based on new trade theory, where technology and foreign direct investment variables are present and their effects are significant.

No. 146 *Manufactures import demand: structural differences in the European Union* by Ray Barrell and Dirk Willem te Velde

Modern trade theory suggests that trade patterns depend upon the variety and quality of goods a country produces as well as on comparative advantage. Variety and quality can be represented by technology and by the presence of foreign firms. Structural differences in import demand amongst European countries are tested for and manufactures import demand is studied across nine European countries, pooling over the period 1970–1995, starting with a set of adequate import demand equations. If the same technology is allowed for but with different FDI effects across countries, it is possible to impose common long-run income and price effects on manufactures imports.

**Institute Discussion Papers are available at £4 each, or on subscription at the discounted rate of £30 for 10 papers.**

**For further details of these and 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)**





## 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)  
JS Flemming (Chairman)  
Professor Charles Bean  
Ian Byatt  
Sir Dominic Cadbury  
Frances Cairncross  
Sir John Craven  
Professor Charles Goodhart  
Lord Haskins  
Dr DeAnne Julius  
Sir Stanley Kalms  
Ruth Kelly MP  
HH Liesner  
Sir Peter Middleton  
John Monks  
Professor Nicholas Stern  
Professor Ken Wallis  
MR Weale (Director)

Comments on all areas of the Institute's work are welcome, and should be addressed to the Secretary:  
Dr John Kirkland  
National Institute of Economic and Social Research  
2 Dean Trench Street, Smith Square  
London, SW1P 3HE  
Tel no. 0171 654 1920  
Fax no. 0171 654 1900  
E-mail [j.kirkland@niesr.ac.uk](mailto:j.kirkland@niesr.ac.uk)  
Web site <http://www.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*.

Current annual subscription rates are £99 (UK and EU), or £180 for two years, and £110 (non-EU) including delivery within the UK and Europe. Special rates are available for individuals and schools. Single copies are available at £27.50 each. Further information on subscriptions is available from *Annie Stewart*.

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, John Kirkland, Geoff Mason, Hilary Metcalf, Nigel Pain, SJ Prais, Martin Weale, Garry Young.