Summary of articles

Tobin's Q, non-constant returns to scale, and imperfectly competitive product markets, by R.S. Chirinko and S.M. Fazzari.

This study explores the impact of non-constant returns to scale and imperfectly competitive product markets on the empirical performance of the q-model of investment. We present an econometric specification linking the unobserved shadow price of capital to financial market data when returns-to-scale are not necessarily constant and product markets are not necessarily competitive. Furthermore, unlike most Q-studies, we work within a discrete-time framework, and give explicit attention to the relations between inventories, sales, and production. Our new specification allows us to recover parameters characterizing returns-to-scale, product market, and adjustment cost elasticities. Estimates are reported for 12 mature industries in the United States drawn from VALUELINE.

Journal of Economic Literature classification numbers : 131, 300, 611.

Investment behavior in Europe : a comparative analysis, by M. Catinat, R. Cawley, F. Ilzkovitz, A. Italianer, M. Mors.

The focus of this article is the comparison of the relative influence of different determinants of investment (demand, the relative price of capital and labour, and profit) for five large European countries and the United States. The investment equations are derived from production functions, either putty-putty or putty-clay, in the context of a disequilibrium model. The comparison of annual and quarterly estimates (after aggregation in a equivalent annual model) improves the evaluation of the precision of the parameter estimates.

In all these countries, in accordance with the accelerator effect, demand is the dominant influence in the short term, fading away in the medium term. In contrast, profit is not a predominant influence except in the medium term. Its role thus seems to result from the effect of expectations on investment profitability rather than from short run self-financing constraints. With respect to factor substitution, the analysis confirms that this is only weakly linked to changes in the relative price of capital and labour.

Journal of Economic Literature classification numbers : 122, 211, 522.

Investment demand at the firm level : The case of Spain, by Gonzalo Mato.

In this paper we estimate an investment demand function derived from a standard adjustment costs framework. We also suppose that the speed of adjustment depends on the capacity of the firms to finance their investment projects with their own generated resources. The model is estimated for a sample of 140 firms and 4 years (1978-81).

Using the consistent within-groups estimator, the main results are : 1) expected output appears as the most important determinant of investment ; 2) profits affect investment in the long-run only through the adjustment cost channel ; 3) relative factor prices are not significant, reflecting a very slow substitution between labour and capital in spanish industry.

Journal of Economic Literature classification numbers : 522, 212, 631.

Effet des prix énergétiques sur le comportement d'investissement à long terme : comparaison des sept grands pays de l'OCDE, par M.A. Carrère et J.G. Devezeaux de Lavergne.

After the first oil price shock, a controversy rose about the bounds between Capital and Energy. A first group of studies, using time series, argued they were complements whereas studies on pooled international data showed there were substitutes. Direct comparison of these studies is difficult because the differences in data building are doubtless an important source of disagreements. Thus we have constructed a homogeneous data bank for the seven major countries of OECD on the period 1960-1984. KLE and KLEF translog cost functions have been estimated for each country then on pooled data.

Journal of Economic Literature classification numbers : 631, 723.