Summary of articles

On the Role of Monetary Factors in Business Cycle Models, by Fabio-Cesare Bagliano and Giancarlo Marini.

Granger-causality tests and innovation analyses based on Vector Autoregression models seem to deny any role for monetary factors in generating and shaping business cycle fluctuations. The present paper shows that such empirical support for Real Business Cycle theories is flawed. In particular, it is demonstrated that an extended version of the Lucas paradigm can explain the existing evidence rather accurately, when changes in policy regimes are explicitly modelled.

Journal of Economic Literature classification numbers: 023, 131, 311.

Vertical Product Differentiation and Taste Differences, by Marie-Paule Donsimoni and Jonathan H. Hamilton.

The finiteness condition of vertical product differentiation models is translated into the taste distribution model first analyzed by Mussa and Rosen. For a utility function linear in quality, the necessary and sufficient condition for finiteness is that the cost function with respect to quality is strictly concave. Furthermore, for these cost functions, in duopoly, higher quality always implies a higher market share at the Nash equilibrium in prices. The n-firm case is briefly discussed, and some implications for marketing strategy of new products are presented.

Journal of Economic Literature classification numbers: 611, 621.

Diminution des cotisations patronales à la Sécurité Sociale et création d'emplois en Belgique, by Bruno Van der Linden.

In this paper we analyse the effects of a reduction in labour taxes on employment. According to the Belgian version of the macrosectoral HERMES model, this effect is rather low especially if we compare it with some results from the disequilibrium macroeconomic model recently built within the European Unemployment Program. The paper describes the HERMES model and summarizes the simulated effects of the reduction in labour taxes. To understand the disagreement between the macrosectoral HERMES model and the macroeconomic

E.U.P. model, the paper briefly compares them and emphasizes three sources of differences : (1) the implicitly permanent Keynesian regime of HERMES vs. the disequilibrium framework, (2) the export equations and (3) the capital-labour substitutability.

Journal of Economic Literature classification numbers : 212, 824.

Induced Socio-economic Behavior in Long Waves : The Recurrence of Normal and Revolutionary Economic Science, by Orley M. Amos Jr. and Edward O. Price III.

This research empirically examines the relationship between economic development and the progression of economic thought. It is based on three propositions : 1) economic development progresses by long waves, 2) long waves induce a cyclical pattern of general entrepreneurial and managerial socio-economic behavior, and 3) economists pursue alternating periods of revolutionary and normal economic science as part of the general socio-economic pattern of behavior. The general hypothesis of this study is that prosperity periods induce economic thought concerned with maintaining the *status quo* (Kuhnian normal science) and depressionary periods induce the development of new theories (Kuhnian revolutionary science). The specific hypothesis is that long waves generate a cyclical pattern in the average age of journal article citations. This hypothesis is supported when tested with a random sampling of articles published in the *American Economic Review* from 1911 to 1987.

Journal of Economic Literature classification numbers : 031, 112.

Introduction aux processus d'évolution du prix des actions en temps continu et efficience du marché boursier, by Roland Gillet.

The primary focus of the paper is on the main economic assumptions that are sufficient for financial returns to be distributed according to Itô diffusion processes. The paper discusses the degree of generality of these assumptions and also provides a useful derivation of Itô's lemma. In the context of the efficient market hypothesis it is shown that an Itô process in itself does not imply that prices follow a martingale or a random walk nor that returns are necessarily normally distributed.

Journal of Economic Literature classification number : 313.