Summary of articles

Investments, sales constraints and profitability in France: 1957-1975, by H. Sneessens et B. Maillard.

This paper is devoted to the analysis of the investment behavior of the firm in the context of a quantity rationing (or disequilibrium) model with monopolistic competition on the goods market. Investment is entirely profit-driven as in the q-theory of investment. The profit variable is however decomposed into three components: the markup rate on variable costs, the capacity utilization rate and the discrepancy between the optimal and the actual-labor ratios. The model has the same long run implication as an accelerator model if and only if the optimal capacity utilization rate is constant in the long run. The suggested quantity rationing model is estimated on French data, over the period 1956-1985. The emphasis is on the investment equation. The parameter estimates are shown to have remained fairly stable over time.

Journal of Economic Literature classification numbers: 023, 522.

A vintage model of scrapping and investment, by A. Ingham, A. Ulph et M. Toker.

This paper constructs and estimates a vintage model of production for manufacturing in the U.K. including the investment and scrapping decisions. The model uses a generalised Leontief flexible functional form, which allows for the testing of ex-ante and ex-post substitution. The data does not allow the rejection of some substitutability at both ex-ante and ex-post stages. The model also allows for an examination of price responsiveness of input-output coefficients. Finally the model is used to construct a capacity utilisation index.

Journal of Economic Literature classification numbers: 211, 226, 641.

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Investment and financial decision making in the UK company sector, by C. Padgett.

This paper looks at the interrelationships between the real and financial decisions made by the UK industrial and commercial company sector. It uses a capital gains augmented version of Purvis' integrated expenditure and portfolio allocation model, a development of the Brainard-Tobin "pitfalls" approach. Investment, dividend payments, working capital, debt and equity decisions are modelled simultaneously subject to an income constraint. The results show that the size and composition of the sector's borrowing commitment play an important part in determining the level of capital spending.

Journal of Economic Literature classification numbers: 210.

L'investissement dans un contexte de faible croissance et de taux d'intérêt élevés : une étude sur données individuelles du comportement des entreprises industrielles françaises, by J.-Y. Chevallier, F. Legendre et P. Morin.

The 1980s have seen a persistent sluggishness of the industrial investment of french firms, a marked deterioration in corporate finances until 1983, and very high interest rates. Simultaneously, many difficulties have appeared in the macroeconometric works dealing with the influence of anticipated demand, relative price of factors and profit as determinants of investment. This point out the value of studying capital-formation behavior on a panel of nearly 700 manufacturing firms, monitored from 1975 to 1983, which represent 30% of industrial value added. The main conclusions of the study could be the following. The accelerator model is less relevant for the 1980s than for the 1970s. The return constraint seems to have exerted a strong influence during the period studied (1979-1983). The apparent interest rate, specific to the firm, seems to affect capital formation. Indebtedness ratios and tax incentives to investment do not have a decisive effect.

Journal of Economic Literature classification numbers: 122, 132, 224.