

Summary of articles

Evolutionary Approaches in Economics. Some comments on Ph. Van Parijs "Le modèle économique et ses rivaux", by Jack Vromen.

The paper argues that it is not clear where P. Van Parijs sets the borderline between the economic model — able of explaining many seemingly disparate, but not all, social phenomena — and evolutionary models. Sometimes it seems that evolutionary models are required in situations when people behave without a trace of deliberation. But at other times it looks as if evolutionary models are supposed to be capable of explaining the « data » of the economic model: preferences and beliefs. The evolutionary mechanism of reinforcement is analyzed thoroughly in the paper in order to find out which interpretation is the right one. It turns out that the second interpretation comes nearest. The mechanism of reinforcement is shown to underly explanations of the convergence of beliefs of individuals, provided they have certain preferences. Reinforcement does not presuppose but might explain non-deliberative rule-following. It is pointed out that the very same mechanism of reinforcement, thus understood, is tacitly assumed to be at work in several attempts by economists to develop evolutionary models.

Journal of Economic Literature classification numbers: 036, 031, 026.

Le réalisme cognitif et l'avenir du "Modèle économique", by Olivier Favreau.

Van Parijs proves that some functionalist or evolutionary schemes of explanation (those by reinforcement or accomodation) are coherent with the usual economic model of explanation (micro-foundations of macro-observations), provided that individual rationality is less than perfect. Strangely, Van Parijs does not allow the economic model to do this step toward « cognitive Realism », and argues for its keeping a strong hypothesis of individual rationality. This contradiction induces two consequences: Van Parijs cannot integrate recent economic research on institutions, and his work remains trapped within the boundaries of Friedman's Methodology of Positive Economics (1953).

Journal of Economic Literature classification numbers: 022, 036, 511.

Le paradigme rationaliste et ses compagnons. Réponse à Vromen et Favreau, by Philippe Van Parijs.

Le « Modèle économique et ses rivaux » gives central importance to the distinction between an economic or rationalist paradigm, defined by

the aggregation of rational actions, and an evolutionary paradigm defined by a process of reinforcement. Vromen argues that this distinction is untenable, while Favereau suggests that the rationalists paradigm, as described, corresponds to a Friedmanian stage in economic theory, that is now coming to an end. In this reply, it is argued that the distinction does stick, and that the rationalist model is not tied up with Friedmanian methodology, but that both challenges point to interesting new developments of the project of spelling out the deep structure of the social sciences in general and of economics in particular, to which «Le Modèle économique et ses rivaux» tried to contribute.

Journal of Economic Literature classification numbers : 031, 036.

Q Investment Models, Factor Complementarity and Monopolistic Competition, by Omar Licandro.

The observed fact that firms invest even if capacities are not fully employed does not fit into most standard formalizations of optimal firm behaviour. In this paper, the q investment approach is adapted to an imperfect competitive economy where the representative firm is assumed to face demand uncertainty. Nominal rigidities and short-run factor complementarity are imposed as sufficient conditions to allow for the coexistence of investment and excess capacity. Since capacities are underemployed, marginal q is shown to diverge from average q . Finally, excess capacity subsists at steady state being more than a short-run phenomena.

Journal of Economic Literature classification numbers : 023, 522.

Endogenous Stackelberg Leadership when Costs are Private Information, by Svend Albæk.

Lately several authors have tried to explain the emergence of Stackelberg leadership as an endogenous feature of duopoly models. This article describes two models where assumptions of incomplete information about the rival firm's marginal cost of production creates incentives for duopolistic firms to end up in a sequential choice situation. In the first model the duopolists can commit themselves to be a Stackelberg leader or follower at the time when they know the distributions, but not the actual values, of their own and the rival's cost. The central result from this model is that under quantity (but not price) competition the duopolists may agree on who should be the leader and who should be the follower. In the second model the firms cannot commit to a specific role. In the quantity setting version of this model they must decide both when and how much to produce. It turns out that there can never be an equilibrium where they both always produce in the same period. However, there are equilibria where one firm produces in the first period and the other in the second, i.e. Stackelberg-type equilibria. Similar results are found in a price setting version of the model.

Journal of Economic Literature classification numbers: 26, 611.

Market Index Specification and Estimation of Risk on the Brussels Stock Exchange, by Albert Corhay.

This paper demonstrates that the level of autocorrelation in the market index returns of the Brussels Stock Exchange depends on the number of securities which make up the index as well as their price adjustment delay. It also shows that the value of the systematic risk depends on both the choice of an index and the length of the differencing interval used to calculate the returns. Furthermore it highlights the fact that autocorrelation coefficients and systematic risk coefficients also exhibit seasonal fluctuations.

Journal of Economic Literature classification numbers: 211, 313, 522.