

CONTENTS

	page
0 OVERVIEW	
0.1 Introduction	1
0.2 Main research aims	3
0.3 Outline	5
1 PHYSICAL CAPITAL STOCK INVESTMENTS AND LABOUR DEMAND	
Theoretical background on dynamic modelling	
1.1 Introduction	9
1.2 Entrepreneurial behaviour	9
1.3 Entrepreneurial behaviour under neoclassical assumptions	10
1.3.1 Model 1: Static labour demand	11
1.3.2 Model 2: Dynamic labour demand	12
1.3.3 Model 3: Dynamic physical capital stock and investments demand	14
1.3.4 Model 4: Interrelation in physical capital stock and labour demand	16
1.4 Dynamics and the literature	17
1.4.1 Dynamics in the neoclassical framework	18
1.4.2 q theory of investments	19
1.4.3 Gestation lags	22
1.5 Short summary and extensions	26
APPENDIX	
1.A Dynamics and interrelation in structures, equipment and labour in six OECD countries	29
2 INVESTMENT GESTATION LAGS	
Construction lags, delivery lags and capital stock accumulation	
2.1 Introduction	35
2.2 Construction lags	38
2.2.1 The construction process	38
2.2.2 The length of the construction period	40
2.2.3 Cancellations	42
2.3 Time-to-build specification	43
2.4 The difference between construction and delivery lags	45
2.5 Statistical evidence on lead times	46
2.6 The calculation of physical capital stock series	48
2.7 Summary and conclusions	51

3	A CLOSED FORM SOLUTION FOR A MODEL WITH TIME-TO-BUILD AND ADJUSTMENT COSTS	
	An application to the United States and Dutch manufacturing industry	
3.1	Introduction	53
3.2	The model	54
3.2.1	A neoclassical factor demand model with time-to-build	54
3.2.2	Economic interpretation of adjustment costs and time-to-build	57
3.3	Three univariate models for structures	58
3.3.1	Model 1: Time-to-build and no adjustment costs	59
3.3.2	Model 2: Time-to-build and adjustment costs of net capital stock	60
3.3.3	Model 3: Time-to-build and adjustment costs of gross investments	61
3.4	The closed form solution of the trivariate model	64
3.5	Summary of the theoretical part and estimation aims	66
3.6	The estimation results	68
3.6.1	The process of prices	69
3.6.2	Maximum likelihood estimates	70
	3.6.2.1 Univariate - United States	72
	3.6.2.2 Trivariate - The Netherlands and the United States	73
3.6.3	Impulse responses	78
3.6.4	Comparison of the time-to-build and adjustment costs model	86
3.6.5	Summary of the empirical part	88
3.7	Summary and conclusions	89
	APPENDICES	
3.A	Solving the Euler equations of the multivariate model for the rational expectations	91
3.B	Stationarity tests	97
3.B.1	Unit roots	97
3.B.2	Cointegration	100
3.B.3	Conclusions	102
4	PERSISTENCE, ASYMMETRIES AND INTERRELATION IN MANUFACTURING STRUCTURES, EQUIPMENT AND LABOUR DEMAND	
	An application to six OECD countries	
4.1	Introduction	103
4.2	Descriptive statistics	105
4.3	A neoclassical factor demand model	107
4.3.1	Model specification	107
4.3.2	First order conditions	111
4.4	Empirical analyses	113
4.4.1	Assumptions and estimation strategy	114
4.4.2	Estimation results	116
4.5	Summary and conclusions	132

APPENDIX

4.A	Factor prices exogeneity, monopolistic competition or price influencing	135
4.A.1	An example	135
4.A.2	Weak exogeneity and Granger causality tests	136
4.A.3	Conclusions	139

5 INTERRELATIONS IN PHYSICAL CAPITAL STOCK, LABOUR AND INVENTORY INVESTMENTS
An application to French industrial sectors

5.1	Introduction	141
5.2	Volatility and multi-cointegration	143
5.3	Two structural models with inventories	149
5.3.1	A production smoothing model	149
5.3.2	A factor demand model with inventories	150
5.3.3	Similarities and differences between the production smoothing and factor demand model	153
5.4	Empirical results	155
5.4.1	GMM estimation results	155
5.4.2	Prices and sales elasticities	163
5.5	Conclusions	167

6 SUMMARY, CONCLUSIONS AND SHORTCOMINGS

6.1	Summary	171
6.2	Conclusions from empirical results	175
6.3	Shortcomings	177
6.4	Overall conclusions and some policy implications	179

DATA APPENDIX**Quarterly aggregate data**

I.1	Data sources	183
I.2	Aggregate manufacturing industry data of six OECD countries	183
I.2.1	Variables used as production factors and prices in chapter 3 and 4	183
I.2.2	Data description	184
I.2.3	Variables used as instruments in chapter 4	185
I.3	Aggregate sectorial data of France (1970.I-1992.IV)	187
I.3.1	Variables used	187
I.3.2	Data description	187
I.3.3	Calculation of physical capital stock series	188

BIBLIOGRAPHY 189

AUTHOR INDEX 199

LIST OF SYMBOLS 201