# Summary of articles

*Les anticipations rationnelles et la rationalité : examen de quelques modèles d'apprentissage*, by Philippe Mongin.

This article is intended to clarify a semantic puzzle raised by the definition of rational expectations (R.E.) in Muth's and Lucas's seminal papers. Both authors equivocate between an equilibrium condition interpretation and an individual rationality requirement. The two views of R.E. could be reconciled by demonstrating that the R.E. equilibrium is underpinned by some convergent rational learning process. However, each and every single dynamic R.E. model has failed for some reason, and it is not even sure that, once at the R.E. equilibrium, rational agents should not deviate from it. Hence, there is an unfilled gap yawning between the two views of the rational expectations hypothesis, which is best construed as a formal stationarity condition devised for stochastic contexts.

*Journal of Economic Literature* classification numbers: B40 (036), B21 (031), D84 (026).

*Production of commodities without commodities : Ricardo on profit and rent in the "Principles"*, by Guido Erreygers.

Under the assumption that prices are proportional to labour values, it is demonstrated that Ricardo's reasoning on the relation between profit and rent in the *Principles* contains two errors. Both of them point to the neglect of commodity inputs. Curiously, though, they compensate one another, so that Ricardo's conclusion about the tendential fall of the rate of profits as a result of capital accumulation when there is no technical progress remains valid.

*Journal of Economic Literature* classification numbers: B12, B31, D33 1.

*Demand Management Towards Internal and External Balance in an Open Economy with Centralized Wage Setting*, by Torben M. Andersen.

The efficiency of demand management policies is considered in a two-sector model of a small and open economy with centralized wage bargaining. Differences in labour demand between sectors are shown to have qualitative implications for the responsiveness of wages to changes in output prices. Wage increases induced by increased demand in one sector may, thus, crowd out activity in other sectors, and this has important consequences for the effects of demand management policies on internal and

external goals. An often proposed and practised policy of switching demand from tradeables to non-tradeables to ensure internal and external balance is extensively discussed.

*Journal of Economic Literature* classification numbers : F41, J51.

*On the Difference between Income and Consumption Taxes when the Return to Savings is Uncertain*, by Wolfram F. Richter and Wolfgang Wiegard.

The taxation of income is usually criticized for the efficiency loss that results from distorting the intertemporal consumption decision. This argument is rejected in a world where the return to savings is random. It is shown that a distorting marginal tax on uncertain interest income serves as partial insurance and that this effect outweighs the efficiency loss, if only the first marginal dollar in tax revenue is valued less elastically than the last dollar spent on private consumption. A consumption tax —even one with intertemporally differentiated rates— would not provide insurance under these circumstances. The explicit consideration of uncertainty thus gives support to taxes that allow differentiation between the safe withdrawal of savings and the random return thereon.

*Journal of Economic Literature* classification number : H21.

*Cross Section Engel Curves over Time*, by Wolfgang Härdle and Michael Jerison.

Methods for nonparametric estimation and comparison of cross section Engel curves are presented and applied to U.K. expenditure data. Real Engel curves (with quantity demanded and real total expenditure on the axes) vary over time, but their shapes are generally quite stable. Mean normalized Engel curves are defined and are found not to vary greatly over time. Consequences of such invariance for the testing of microeconomic demand models are investigated.

*Journal of Economic Literature* classification number : D10.