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Sommario/riassunto	In this paper, we outline the cost minimizing behavior of oligopoly firms and the price adjustment process in the labor market which underlie the traditional formulation of aggregate wage-price behavior in the U.S., and show that resulting equations applied to U.S. data remain stable before and after the significant change in the monetary policy rule that had taken place in 1979. This result contradicts the prediction of the Lucas critique applied to this context that, in response to a major change of the monetary policy rule, the Phillips curve and the price setting equation of firms would have undergone significant changes. We test several competing hypotheses for the price level determination, including the possibility that more direct effect of the money supply should be relevant, and show that our formulation dominates alternatives in non- nested tests. Finally, we present evidence that the nature of capital is putty-clay rather than fully malleable, together with a demand function for labor based on this recognition. In the process of these inquiries, we contrast our formulation with that proposed by Layard and Nickell in England.

