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## AWI This Week

### Monday, 29.11.10

### Departmental Seminar

17.15-18.45

Ralph Bayer, Adelaide University

AWI 00.010

"Rockets and Feathers in the Laboratory"

### Wednesday, 1. 12. 10

### Departmental Workshop

17.15-18.45

Florent Buisson

AWI 00.010

"Introducing Search in a DSGE Model"

## Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

### Departmental Seminar

Ralph Bayer

"Rockets and Feathers in the Laboratory" \*

Consumers often complain that retail prices respond faster to increases in wholesale prices than to decreases. Despite many empirical studies confirming this Rockets-and-Feathers phenomenon for different industries, the mechanism driving it is not well understood. In this paper, we show that, in contrast to the theoretical prediction, asymmetric price adjustment to cost shocks, as well as price dispersion, arises in experimental Diamond (1971) markets. The analysis of individual behavior suggests that the observed price dispersion can be explained by bounded rationality, as our data are well explained by Quantal Response Equilibrium (McKelvey and Palfrey 1995). Asymmetric price adjustment is caused by the buyers with adaptive expectation updating differently quickly after positive and negative shocks."

\* with Changxia Ke

### Departmental Workshop

Florent Buisson

"Introducing search in a DSGE model"

Models of search on the goods markets are appealing because they explain price dispersion, and offer a more realistic transaction mechanism than the typical walrasian auctioneer. However, integrating them in a standard DSGE setting turns out to be more difficult than with their counterparts on the labor market, mainly because of technical issues. In this paper, I first justify the interest of integrating search in a DSGE setting by showing that doing so generates quite naturally some rigidities in the price-setting, and then I expose the building and the properties of a basic DSGE model with search.

## Talks and Research Visits

**Christian Conrad** presented his paper "On the Transmission of Memory: Inflation Persistence and the Great Moderation" (jointly with Simone Elmer and Menelaos Karanasos) in the faculty seminar of the University of Konstanz, November 17, 2010.

**Editorial deadline for issue 28/2010 of the newsletter:**  
**Wednesday, December 1, 2010, 12 o'clock**  
**[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)**

If you would like to receive the newsletter by email,  
please contact the address above.