



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941, FAX: 06221/54-3592
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

AWI This Week

Monday, 28.11.11

Departmental Seminar

17.15-18.45

AWI 00.010

Sarah Lein, Swiss National Bank

"Asymmetries in Price-Setting Behaviour:
New Microeconomic Evidence from Switzerland"

Wednesday, 30.11.11

Departmental Workshop

17.15-18.45

AWI 00.010

Thomas Eife, Heidelberg University

"Explaining the Persistent Effect of the Euro-
Changeover on German Restaurant Prices"

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

Sarah Lein, Swiss National Bank

"Asymmetries in Price-Setting Behaviour: New Microeconomic Evidence from Switzerland"*

Using micro price data underlying the Swiss CPI we find asymmetries in price-setting behaviour that vary substantially across sectors. For 27% of the sectors, desired prices respond more strongly to positive shocks than to negative shocks. Supporting the prediction of a menu-cost model this asymmetry usually coincides with positive sectoral trend inflation. For 15% of the sectors, desired prices display the opposite asymmetry. Finally, in almost all sectors desired prices respond more than one-for-one to sectoral trend inflation. These results emerge from a microeconomic approach following the recent empirical literature which has specified reduced form models that relate to (S,s) pricing rules. We add to this literature by first asking which parameters of the model can be estimated by a fixed effects approach. We then use these estimates to estimate the distribution of the unobserved heterogeneity in a random effects version of the model.

*with Bo E. Honore and Daniel Kaufmann

Departmental Workshop

Thomas Eife

"Explaining the Persistent Effect of the Euro-Changeover on German Restaurant Prices"

We study the long-run effect of the 2002 changeover on restaurant prices in Germany. German restaurant prices increased significantly when the euro was introduced as a new currency but rather than returning to their pre-changeover trend, restaurant prices appear to have stabilized on a higher path. This stands in contrast to the prediction of menu costs models or models of confusion-induced price increases as these models can only account for a transitory effect. The persistence of the increase suggests the existence of more than one price equilibrium. This multiplicity of price equilibria is a central part of the explanation proposed in the paper.

Publications

Jan Schnellenbach: *Nudges and Norms: On the Political Economy of Soft Paternalism*, European Journal of Political Economy, forthcoming.

**Editorial deadline for issue 29/2011 of the newsletter:
Wednesday, November 30, 2011, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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