



Faculty of Business Administration

SEMINAR SERIES No. 12/1112

Economics

“Post My Prices, Or Hide Them?”

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Abstract

This paper uses a laboratory experiment to show how a market evolves when firms or individual traders endogenously choose search costs on their prices. In the experiment, human subjects play sellers and the computer calculates demands and profits, assuming consumers behave optimally. I assign costs and demand functions to subjects and let them choose both their prices and whether or not to publicly post them. I alter the production costs, the fixed cost of posting prices, and the possibility of communication among subjects across treatments to show the effect of these factors on market structure. Experimental results show that one is more likely to post prices when he or she has lower unit cost and when the fixed cost of posting prices becomes lower. Price posting lowers effective prices when communication among subjects is not allowed but raises prices when subjects can communicate with each other.

Date: February 02, 2012 (Thursday)

Time: 14:00 – 15:30

Venue: J317 (Silver Jubilee Building)

ALL ARE WELCOME!

A Short Biography of Professor Binglin Gong

Prof. Gong is the Assistant Professor of Economics at Fudan University since 2009. She holds a Ph.D. & a M.A. in Economics from University of Maryland at College Park, a B.S. in Probability and Statistics from School of Mathematics, Peking University and a B.A. in Economics from Peking University. She mainly focuses on the research fields in Theoretical and Empirical Industrial Organization, Experiment Economics, Microeconomics, Game Theory, Econometrics.