

The Effects of Non-Binding Price Announcements on Posted-Offer Markets

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Abstract: We report four posted-offer triopolies which examine the effects of "trade-press" style price announcements of the form: "\$___ is an appropriate price for the period." Announcements were made via networked PCs. Each session began with 15 periods of normal posted-price trading, with no announcements, followed by 10 periods in which announcements preceded simultaneous price choices. Although the injection of announcements increases prices initially, sellers uniformly defect from announced prices, and prices tend to decline toward pre-announcement levels.