

Price Norm

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<https://www.pascalmichailat.org/t5.html>



Possible price norms:

- Nash bargaining b/w seller & buyer
- Surplus sharing
- Other forms of bargaining
- Fixed price (parameters)
- Rigid price (function of the parameters)
- Competitive price \rightarrow price that ensures aggregate efficiency (or competitive search)

Price norm: Assume that all prices are given by a price norm:

$$p = p^n (\text{parameters, aggregate variables})$$

\hookrightarrow $p = p^n (\text{parameters, } x)$

Goal Set a price norm that reflects how prices are set in practice \rightarrow empirically valid