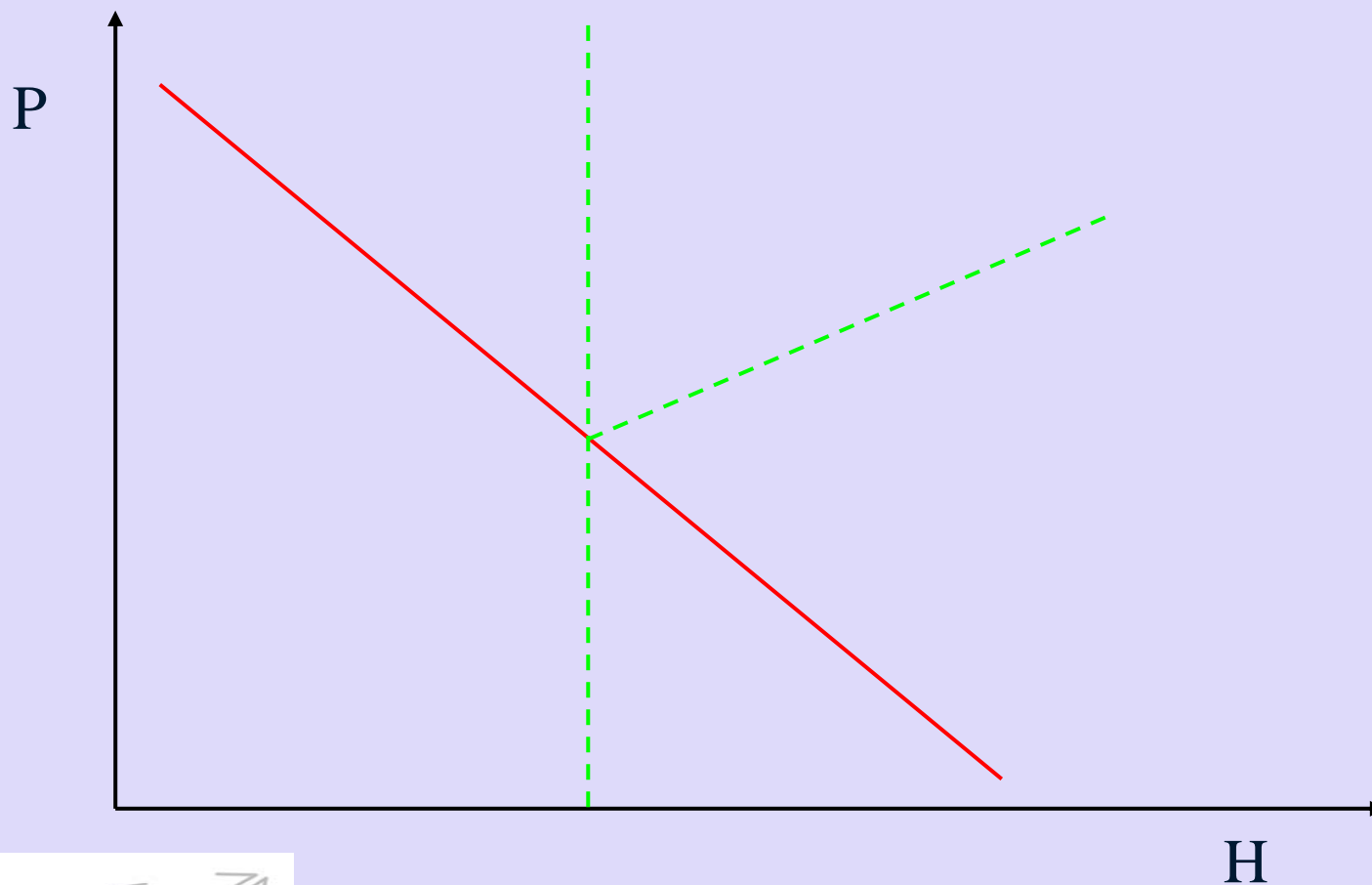


# Three Observations and one question

Viggo Nordvik  
NOVA and REASSESS



# A simple and powerful picture

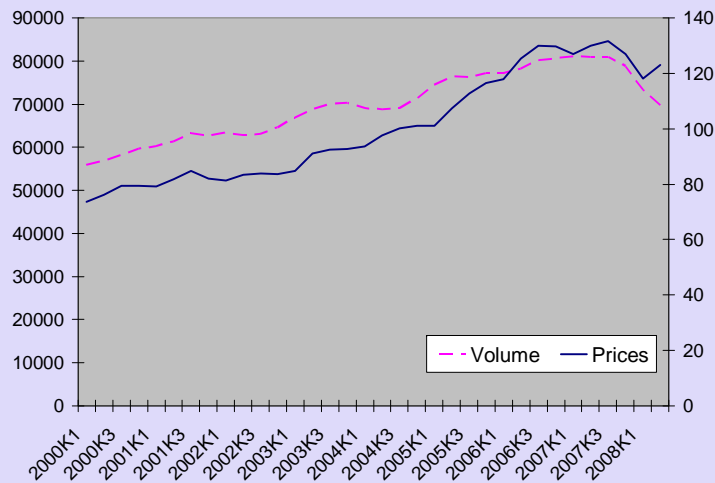


# Empirical observations

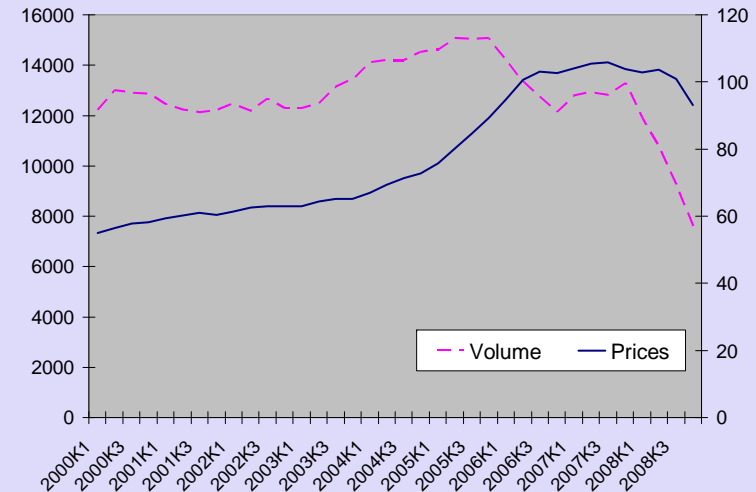
- Sales volumes and price changes/levels correlate positively
- Volumes tend to react quicker to negative demand shocks than prices do, what about symmetry
- Bercovec and Goodman REA 1996 and Andrews and Meen REA (2003)

# Number of transactions and Prices

Norway



Denmark



# Institutional arrangements – or tradition

- Single bid auctions (first bid, second bid)
- Open (end) auctions, multiple bids (storing bids or not)
- Fixed fixed price listing
- Fixed price listing with small talk
- Bilateral bargaining/negotiations

# Institutional arrangements – or tradition

- De facto variation, often not spelled out, taken for granted
- Examples: Hort (2000), Lunde (1995), Levin and Pryce (2009), Turnbull and Zahirovic-Herbert (2008), Maekawa (2004)
- Variation affects:
  - Efficiency in matching mechanisms
  - Speed of adjustment
  - Price-volume correlation pattern
  - Market volatility

# So what: Welfare effects

- Sticky prices – even sticky relative prices
  - Multiple equilibria, Stein (1995)
- Boom in Bust out (Ortalo-Magné and Rady, 1999), *First-time buyers as a scarce factor*
- A market with infrequent trading – even under normal circumstances

# So what: Welfare effects

- Mismatch, distribution
  - Two-dwelling trap
  - No-dwelling trap
  
- Savings – Distortions?