UNIVERSIDAD DE GRANADA

Departamento de
Teoría e Historia
Económica

Seminario: Evi Pappa (Universidad Carlos III de Madrid)

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Seminarios 2025-2026



Título: Price Setting Under Financial Stress (joint with Edvin Ahlander and Mathias Klein)

Sala: E22

Hora: 12:30

Resumen: Using 20 years of monthly data on Swedish industrial firms, we estimate short- and medium-run supply elasticities from demand shocks. We find a steep supply curve that flattens under financial stress. In normal times, pricing behavior is similar across firms, but during stress, financially unconstrained firms lower relative prices while constrained firms raise theirs. A structural model with working capital constraints and strategic competition for customer loyalty explains these patterns: rising demand pushes constrained firms toward financial limits, inducing price hikes and reduced loyalty investment. Unconstrained rivals cut prices and expand market share, yielding the muted aggregate price response observed under financial distress.

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