



The Research Centre of the Faculty of Economics
cordially invites you to a research seminar
on Wednesday, **17th December 2014** at **12 p.m.** in room **P-109** at the
Faculty of Economics, University of Ljubljana

Author: **Vasja Sivec, European University Institute**

will present the article:

"Sector price responses in the rational inattention model in time"

“We tests predictions of the rational inattention model put forward by Mackowiak et al. (2009) in a time varying environment. Their model explains how aggregate and sector shock variances affect sector price impulse responses. We exploit the fact that variances of aggregate shocks have varied greatly over time. We estimate a time varying factor model on US post-war data on macroeconomic variables and sector prices. We identify impulse responses of sector prices to macroeconomic shocks, sector shock and their variances. We then construct a panel of impulse responses and use fixed effects regression to test the predictions of the rational inattention model. We find empirical support for the main predictions of the model, while some are refuted by the empirical model. We find that firms trade-off between aggregate and sector conditions in deciding which shocks to pay attention to. However, they do not trade-off between aggregate shocks, which is a new finding in the empirical literature.”

You can register for the free seminar by phone (01) 58-92-490, or via e-mail:
research.seminars@ef.uni-lj.si by Tuesday, 16th December 2014.

We look forward to seeing you!