Market Equilibium Over More Differentiation in Product Characteristics Mean Price 1.75 Absolute Level 1.70 1.65 1.60 0.5 1.5 2.0 2.5 3.0 0.0 1.0 3.5 4.0 Degree of Product Differentiation Outside Good Share 0.984 Absolute Level 0.982 0.980 0.9780.5 1.0 1.5 2.0 2.5 3.0 3.5 4.0 0.0 Degree of Product Differentiation Mean Marginal Cost 1.10 Absolute Level 1.05 1.00 0.950.5 0.0 1.0 2.0 2.5 3.0 1.5 3.5 4.0 Degree of Product Differentiation Mean Markups 1.65 Absolute Level 1.60 1.55 0.0 0.5 1.5 2.0 3.0 4.0 1.0 2.5 3.5

Degree of Product Differentiation