

Expected  
price

$E[p^*]$

0

1

Price weight,  $w$

as  $|r_i - r_j|$  increases



The graph illustrates the relationship between the expected price and the price weight  $w$ . The vertical axis is labeled 'Expected price' and the horizontal axis is labeled 'Price weight,  $w$ '. Three downward-sloping, convex curves are shown, representing different values of  $|r_i - r_j|$ . As  $|r_i - r_j|$  increases, the curves shift to the right. All curves converge to a horizontal dashed line at the level  $E[p^*]$  as  $w$  approaches 1. The horizontal axis is marked with 0 and 1.