









**K**

















**m**

**a**







**M**



o





This model explains this "price stickiness" in oligopoly

P











S











**m**

mm















S





a

















2







m





















m

a



**K**





S











**S**



**Y**

**b**

2





S











**b**











S



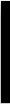
2





S



















a



9















S







o

**b**



Y

S









o

**b**



U













S













U







S

S

U









**b**



**Y**







9



Р









S



S



**b**

**Y**









mm

U

2







2













S









S



















S









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9







e





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W

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o

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m



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Prices of commodities traded in near competitive markets (corn, soybeans, pork bellies, and silver) change little second by second but prices of products supplied by oligopolists (baby formula, cars, televisions, refrigerators) change every few months or more and usually by a large amount

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# The Kinked Demand Model of Oligopoly