

# Cyclical Price Movements in An Atomistic Market

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## Abstract

This paper explains price movements countercyclical to business cycles in an atomistic market. A recession makes a portion of low-income consumers leave the market and the fraction of low-price stores decreases. Thus, the remaining consumers' reservation prices for storage increase and consequently low-price stores charge higher prices, and vice versa. It is also shown that the equilibrium is characterized as a symmetric mixed strategy Nash equilibrium.

JEL classification: L11, L16

Keywords: Price movements, Business cycles, Atomistic market, Mixed strategy

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