

Effects of discount factor distribution in repeated games — fads, fashion, and novelty fair —

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Abstract

In many industries, new models tend to be introduced almost every season or year, such as in automobiles, electronics let alone fashion apparels. The introduction, however, seems too frequent in view of its qualitative improvements, i.e. it offers very marginal alterations mostly. We contemplate this phenomena in repeated duopoly with one central assumption: releasing new models temporarily enhance the firm's profits insofar as it did not in the previous period. Our main finding is that the excessively frequent introduction of new models curtails deviation incentives from tacit collusion.

JEL classification: L13, L15, D21