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Technological Spillovers and the Location of Production in an Asymmetric Duopoly

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Abstract

We evaluate the impact of technological externalities on the location choices of duopolistic firms in a Weber triangle. Assuming technological spillover effects to be decreasing in the distance between firms, we show that each firm's optimum location is independent of a demand shock when the firm's distance to market is constant. When distance to market is variable, a firm's optimum location will not be independent of a demand shock if one of the duopolistic firms has non-linear technology. The optimum location of an IRS (DRS) firm moves away from (closer to) the market place if the other firm is CRS and if demand is not strongly concave or convex.

Key words：Duopoly; Externalities; Technological spillovers; Internal economies of scale; Industrial flight