Spatial Competition and Collaboration Networks

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April 21, 2009

Abstract

In this paper, we discuss the formation of collaboration networks among firms that are located in a circular city. The model is a two-stage game. In the first stage, firms form collaboration links, and in the second stage the firms engage in price competition. The model in the second stage is a generalization of Salop's (1979) model. We examine pairwise stability of networks and a stochastic network formation process. In addition, we characterize socially efficient networks.

Keywords: Network formation, Collaboration, Spatial competition
JEL classification codes: D85, L11, L13, R32