

Diffusion with Delayed Informational Spillovers

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Abstract

I study the relation between the delay in the transmission of spillovers of information and diffusion. When a firm enters or innovates it benefits from the information it gets by observing past entry. Delays in the process of receiving the information reduce the benefits of the spillover and affect the entry process.

I derive the effects this delay has on diffusion, on the dynamics of price and cost of entry, and on efficiency. I explain why, when spillovers of information are delayed, a zero profit condition requires an initial set of entrants bigger than zero. I also illustrate how an S-shaped diffusion curve can be generated. I show that competitive equilibrium entails a slower generation of information relative to the social optimum and how a social planner can improve efficiency.

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