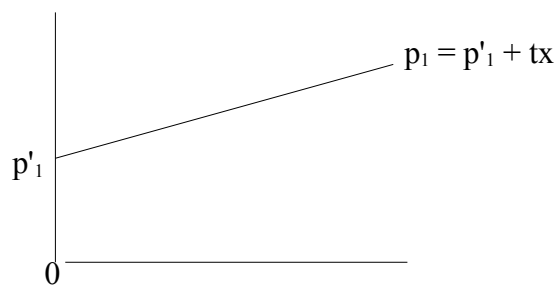


Hotelling Linear City
intuition of Product differentiation.

Products are Homogeneous. (ice cream)
differentiation is viewed through Transactions costs.
All consumers buy one unit consumer decision is whom to buy from.
(begin with simultaneous betrand price setting; then do location choice)

Beach 0-1 units long.
Sellers placed at each end of beach.
Consumers are uniformly distributed along the beach
 x is the distance a consumer must travel to a seller
 t is the costs to the consumer of traveling one unit x

the cost of buying from firm 1 who is located at 0



the cost of buying from firm 2 who is located at 1

