

A NOTE ON 'STRATEGIC CHOICE OF FLEXIBLE
PRODUCTION TECHNOLOGIES AND WELFARE
IMPLICATIONS'

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This note¹ corrects certain errors in welfare calculations and graphs of a paper by Röller and Tombak [1990]. The corrections necessitate a re-interpretation of some of their results. Contrary to authors' assertion (proposition 1), consumer surplus is not always the highest in (FMS, FMS) state. Producing in both markets imposes a negative externality that grows as products become more substitutable, leading to a reduction in output levels. Secondly, corrected graphs reveal that the difference in producers' and total surplus between (DE, DE) and (FMS, FMS) states is not as large as depicted by the authors.

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REFERENCE

Röller, L. H. and Tombak, M. M., 'Strategic Choice of Flexible Production Technologies and Welfare Implications', *Journal of Industrial Economics*, 38, pp. 417-432.

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