



## FACULTY & RESEARCH

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# From Russia with Love: The Impact of Relocated Firms on Incumbent Survival

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## Abstract

We identify the impact of local firm concentration on incumbent performance with a quasi-natural experiment. When Germany was divided after World War II, many firms in the machine tool industry fled the Soviet occupied zone to prevent expropriation. We show that the regional location decisions of these firms upon moving to western Germany were driven by non-economic factors and heuristics rather than existing industrial conditions. Relocating firms increased the likelihood of incumbent failure in destination regions, a pattern that differs sharply from new entrants. We further provide evidence that these effects are due to increased competition for local resources.

**Keywords:** [Geographic Location](#); [Competition](#); [Supply and Industry](#); [Labor](#); [West Germany](#); [Soviet Union](#);

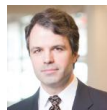
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