

When Does Exclusive Dealing Intensify Competition for Distribution? Comment on Klein and Murphy

Hans Zenger

Abstract

In a recent article in this Journal, Benjamin Klein and Kevin M. Murphy argue that exclusive dealing intensifies competition and increases consumer surplus. This comment extends their model by allowing for asymmetric firms, so one firm can be dominant in the market. It is shown that the procompetitive effect of exclusive dealing is strong when firms are symmetric, but weak (or even absent) if the exclusive manufacturer has large market power.