Tying by a Non-monopolist

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Abstract

This paper explores tying in the situation where a multi-product firm without monopoly power competes against several single-product firms. I consider two markets: one for a horizontally differentiated good, the other for a homogeneous good. As opposed to the widely accepted opinion that tying may be profitable only in the case of monopoly power, I show that under reasonable assumptions tying is profitable for the multi-product firm and has a negative welfare effect.

Keywords: industrial organization, anti-trust policy, multi-product firm, tying, bundling

JEL classification: L13, L11, L41

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