ECON 321, Class 15: Whinston, Exclusionary Vertical Contracts

1. Read section 4.1

2. Read section 4.2. Think of I as Wal-Mart, B as the landlord of a shopping center, and E as some store that might compete with Wal-Mart.

3. Draw the graph Fig. 4.1 twice, showing B's gains and losses if it does and does not accept an exclusive contract offer from I (and assuming in the acceptance case that I does as much as it can to make the offer acceptable).

4. Read the start of section 4.4, pp. 152-154. How might each of the 3 "ideas" listed apply to Wal-Mart contracting with a shopping center?

5. Skim pp. 155-167. I will try to make some sense of this in class.