(2) Similar effects may arise when the "tying" occurs over time. Suppose that a firm has a monopoly or near monopoly today, but it fears entry in the future. The firm may have incentives to reach long-term *requirement contracts* with retailers in order to foreclose the market to potential entrants. When contract expiration dates are spaced out or staggered over time and there are large fixed costs of entry, requirement contracts may block entry forever. In the presence of the staggered vertical contracts, the entrant is able to compete for only a small portion of the total business at any one time. Given the large fixed costs of entry, it may not be profitable to go after demand in bits and pieces.

(3) There also may be a foreclosure motivation behind *exclusive dealing*. The incumbent manufacturer, we have argued above, may be able to take advantage of its position by tying all the top-notch retailers. By making small scale entry unprofitable, the incumbent:

- raises the financial risk (i.e., sunk costs) of entry;
- makes it more credible that the incumbent will not accommodate an entrant (the entrant has to get a large market share in order to survive, which should pose a greater threat to the incumbent); and
- makes it costlier to enter since growth typically takes time.

A key objection to this view raised by many analysts is this: Why would a dealer sign a contract that lowers the probability of entry and lessens competition among suppliers?[27] Consequently, foreclosure need not follow. A response to this objection goes like this. With many retailers, each one may think that its individual signing decision has no effect on the likelihood of entry. Each individual dealer ignores the collective effect, signs on and the entry is completely blocked.

(4) In addition to blocking entry into a market that it already monopolizes, an incumbent may use its market power in one input market to block entry into another one. There is a long tradition in the vertical restraints literature of asking whether a manufacturer would use a *tying contract* to "leverage" monopoly position in one input market into a second monopoly position in another input market.

The prevailing view, from the Chicago School of antitrust, is that a monopolist would not find it profitable to engage in leveraging. In this debate, the counter argument is that an

[27] R.H. Bork, *The Antitrust Paradox: A Policy at War With Itself*, New York: Basic Books, 1978; and R.A. Posner, *Antitrust Law: An Economic Perspective*, Chicago: University of Chicago Press, 1976.