

**Discussion of “Vertical Integration in Cable
TV” by Crawford, Lee, Whinston, and
Yurukoglu**

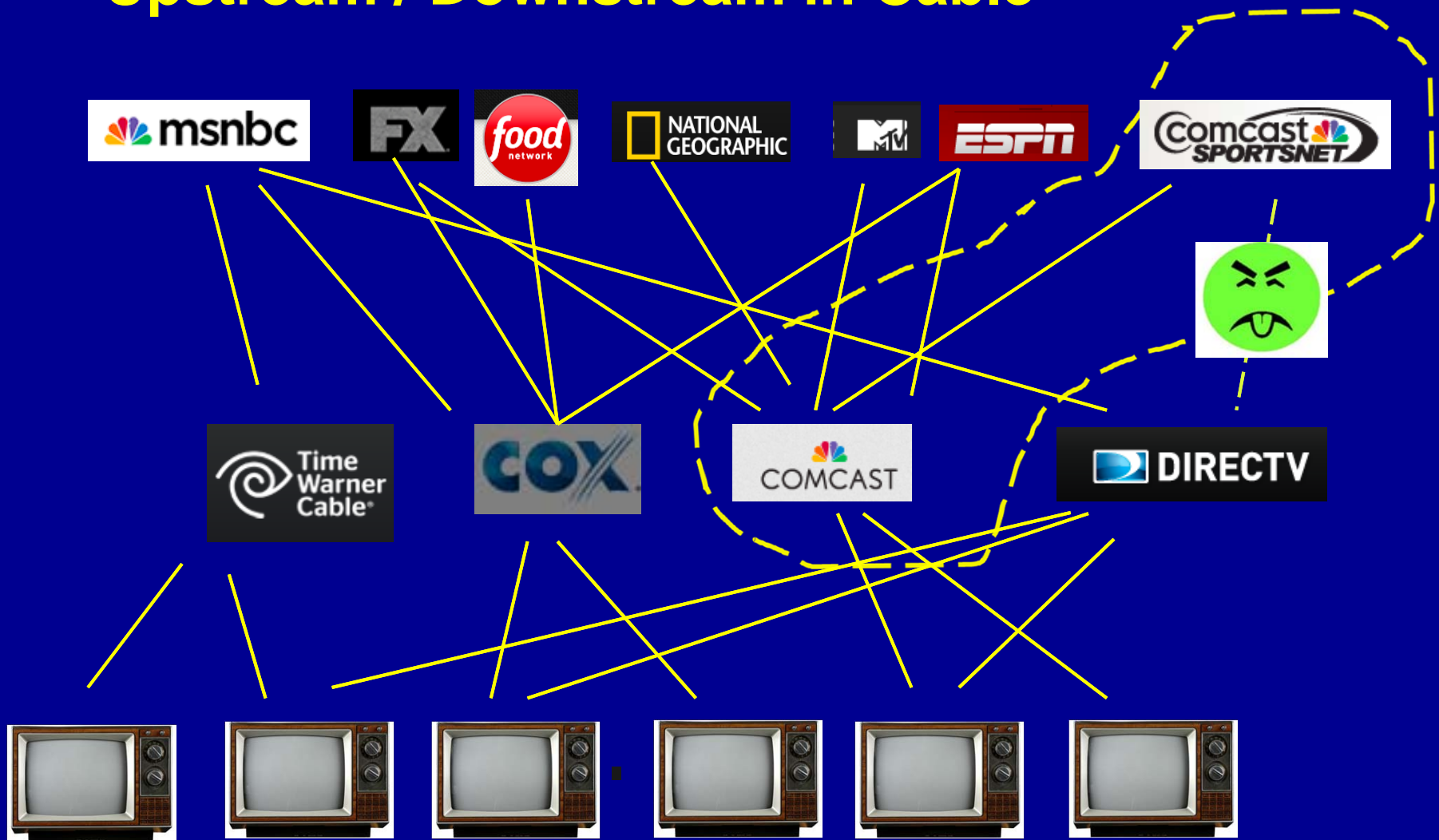
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Cross-Over Hit

- Crawford and Yurukoglu (2012) is a great paper
- Lee (2013) is a great paper
- Whinston (and coauthors) have many great papers in IO theory



Upstream / Downstream in Cable



Contributions

- Methodological
 - Analysis of vertical linkages is staggeringly complex
 - Relax important behavioral assumptions
- Data Management
- Policy Analysis
- Organizational Economics

Three New Key Parameters

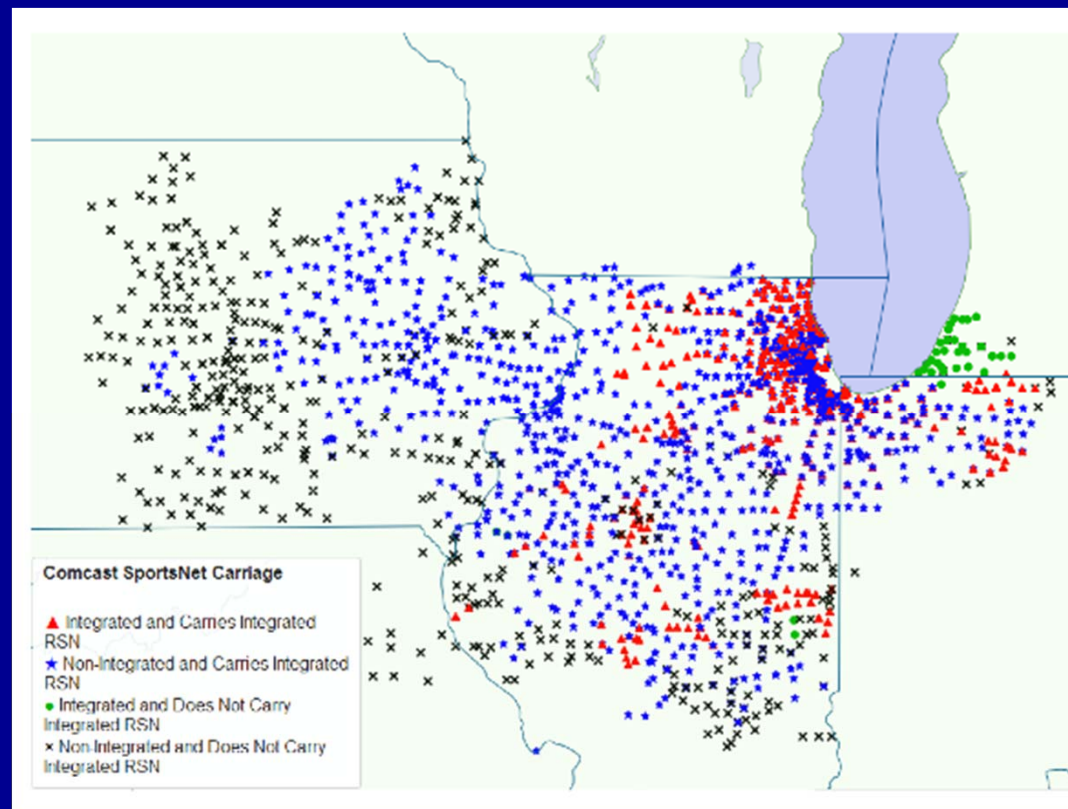
- γ^d
 - The decay rate as a fnc of distance from main stadium of preferences for a RSN
 - Estimate = -6.034
- μ
 - Degree to which MVPDs internalize the profits from the channels they own
 - E.g. Comcast / MSNBC
 - Estimate = .90
- λ_R
 - Degree to which an integrated channel negotiating with an MVPD considers the impact of the outcome on profits of the MVPD
 - E.g. Comcast Sports negotiating with Direct TV
 - Estimate = .79

Three New Key Parameters

- Profits from a contract between an integrated MVPD and a RSN will be a function of all parameters
 - Cool modeling strategy
 - Important for counterfactuals
 - Interesting in their own right

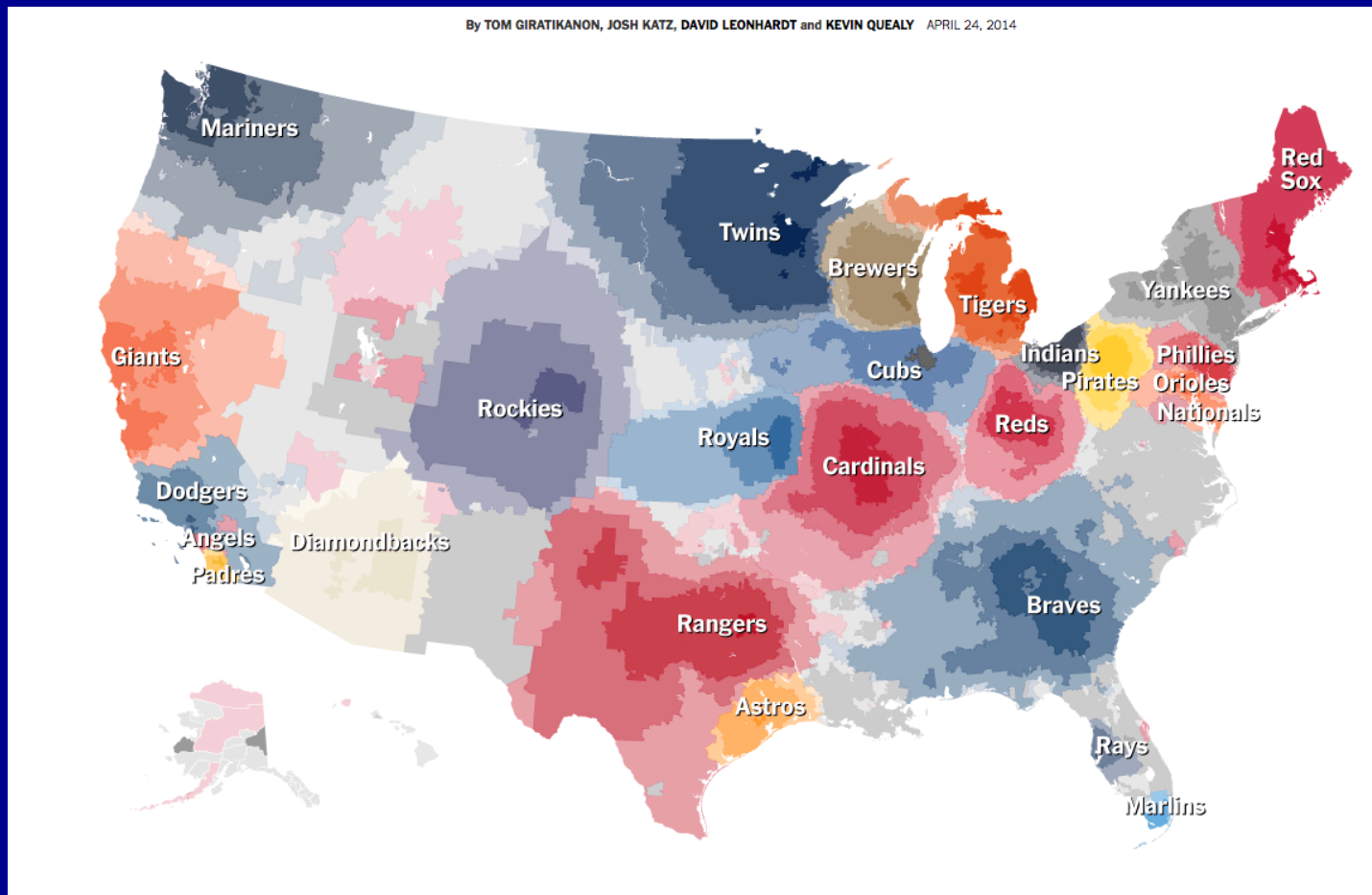
Identification of μ

- Integrated MVPDs that offer and do not offer the RSN relative to non-integrated MVPDs



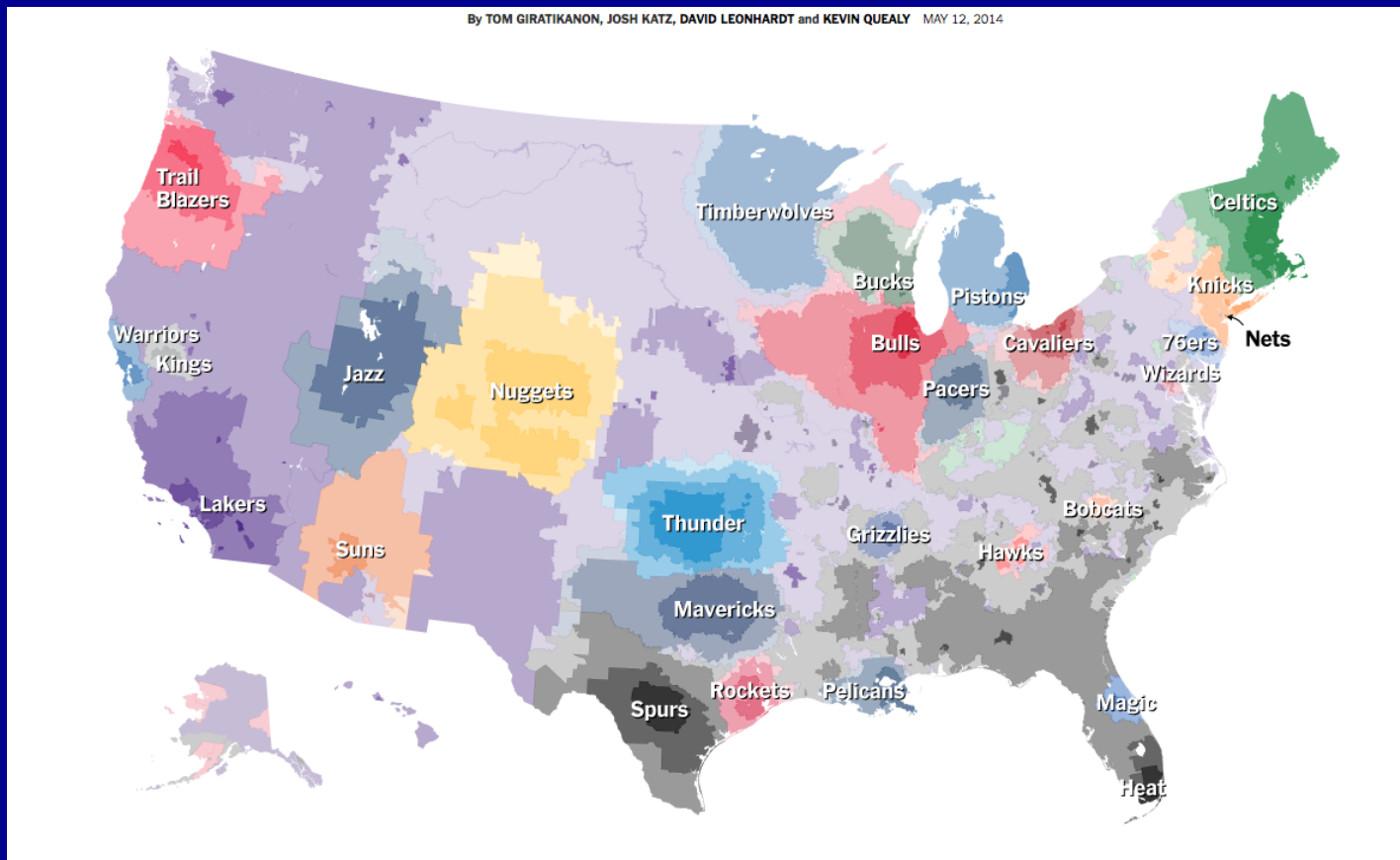
Identification of μ and the role of γ^d

- Using data from other sources to identify μ
 - Facebook 'likes' data?



Identification of μ and the role of γ^d

- Same map but for NBA teams



Key Findings and Extension

- Current counterfactuals are very interesting – love to see more
 - Results indicate that restrictions on the behavior of vertically integrated MVPDs are welfare enhancing
 - Would see more RSN exclusions without it
 - Comcast/NBCU restrictions are to expire in 4 years
 - TW/Comcast merger and the lifting Comcast/NBCU restrictions

Extensions

- Framework can/should be extended to study:
 - MFNs (?)
 - Net Neutrality
 - Vertical Integration between health insurers and providers
 - UPMC/Highmark/West Penn

Conclusions

- In sum, awesome paper!!!!