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

[Diagram showing various cable networks and companies connected in a network, with a green face expressing confusion or discomfort in the upper right corner.]
Contributions

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

- $\gamma^d$
  - The decay rate as a function of distance from main stadium of preferences for a RSN
  - Estimate = -6.034

- $\mu$
  - Degree to which MVPDs internalize the profits from the channels they own
  - E.g. Comcast / MSNBC
  - Estimate = .90

- $\lambda_R$
  - 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 $\mu$

- Integrated MVPDs that offer and do not offer the RSN relative to non-integrated MVPDs
Identification of $\mu$ and the role of $\gamma^d$

- Using data from other sources to identify $\mu$
  - Facebook ‘likes’ data?
Identification of $\mu$ and the role of $\gamma^d$

- 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!!!!