

Media polarization and
vertical contracts

Media and Ideological Polarization

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Recent Advances in the Empirics of
Vertical Contracts

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August 17, 2015

ESWC Montreal

Media polarization and
vertical contracts

How far have
we come in
these areas?

- To borrow from Schmalensee (2012)
- “ So, at the end of the day, after IO has traveled down this long and winding road, are its practitioners now entitled to be thought of as **“humble, competent people on a level with dentists?”** ”
- Focus on media markets and policy therein

How far have
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these areas?

- The Federal Communication Commission is tasked to assess such transactions on the basis of whether:

“the public interest, convenience, and necessity will be served thereby. “ (47 USC 310)

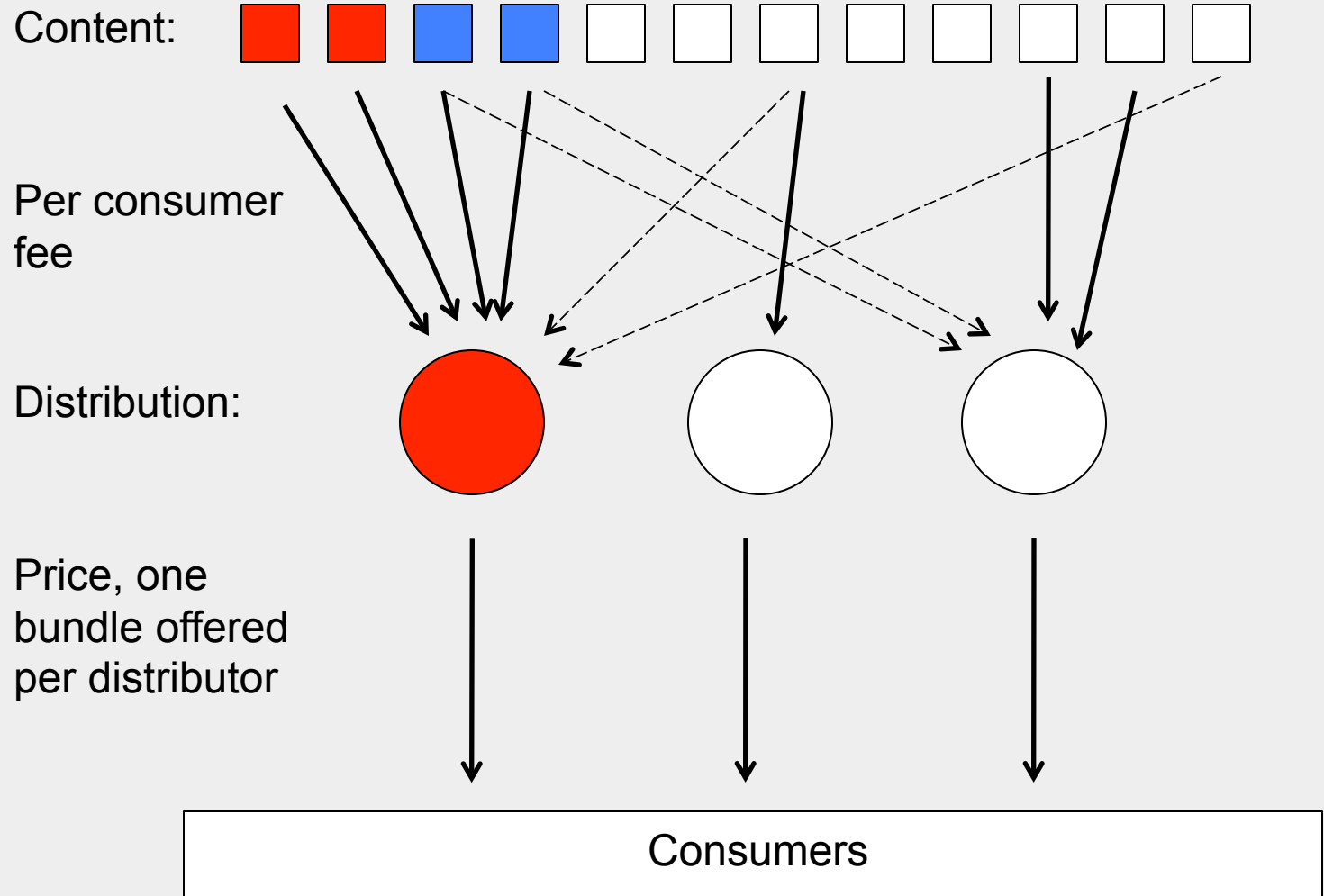
- Includes:
 - antitrust considerations
 - access to programming/information (via OTA broadcasting, rural access, children's shows)
 - maintaining a diversity of viewpoints, programming and sources – cultural as well as news related
 - localism – programming relevant to local issues, including but not restricted to, news
 - journalistic independence

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Comcast-NBC
Universal
merger in 2011

MVPD and
Broadband
implications



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- On the face of it, the vertical literature seems very useful:
 - Comcast-NBCU was the first regulatory action to make use of the modern vertical models (Crawford-Yurukoglu (2012))
 - Issue was the extent to which bargaining power of merged entity would increase and allow monopolization

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- Genzkow, Shapiro and Sinkinson (2014):

“the incentive to differentiate from competitors in order to attract more readers and soften price and advertising competition increases diversity significantly, offsetting a strong incentive to cater to the tastes of majority consumers”

(Structural IO demand-entry-product position model using 1924 newspapers)

How does this balance with the polarization effect?

Is polarization bad?

How to link to standard competition analysis?

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- Not quite as good as dentists, yet:
- Ideological choice is particularly challenging dimension of characteristic space to incorporate:
 - Welfare framework is important: how to specify? social choice theory?
 - 2-dimensional or n-dimensional?
 - Quantification
 - Link to competition and pricing is key
 - Is the public interest test specified in a sensible way in practice?
- How to specify the relevant contracting space
 - Contract can be much more interesting than consumer markets
- Being theoretically coherent while recognizing the limits of feasible data sets
- Evaluating the impact of changes to competition on product quality is a generally challenge in IO
 - Recent advances in horizontal markets: Nosko (2014), Wollmann (2015) Fan (2013)

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- Media and Vertical Market Interactions
 - Two of most active areas of IO research in last 10 years
 - A lot of meaningful progress
 - Significant policy impact
 - In combination, address bulk of economic issues arising in most contentious media policy settings
- Happily, significant amounts of interesting and important work remains to be done....
- Not quite dentists, but at level of a reasonable oral hygienist?

