

Vertical integration: economies of scope

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Vertical integration allows businesses to innovate more. It may be bad for certain competitors, but it is rarely bad for competition.

The Debate:

Vertical integration refers to businesses performing a number of different and important roles in the supply chain for a particular product — for example, a manufacturer that sells its products directly to the public in its own stores. While all businesses are vertically integrated to some extent, some worry that vertical integration in digital markets prevents smaller businesses from competing.

But... empirical research has consistently found vertical integration to be good for consumers through a number of mechanisms that allow for reduced costs and better product quality.

[Read the full tl;dr explainer here.](#)

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