Comments on "Behavioral Analysis of Newspaper-Broadcast Cross-Ownership Rules in Medium and Small Markets" by Michael G. Baumann of Economists Incorporated. Comments by Kenneth C. Wilbur, Assistant Professor of Marketing, Marshall School of Business, University of Southern California.

I was asked by Jonathan Levy, Deputy Chief Economist of the US Federal Communications Commission, to identify potential problems in the reasonableness, correctness, and consistency of the assumptions used to produce the analysis; the quality and sufficiency of the data; and whether the conclusions follow from the analysis.

The author seeks to answer the question of whether cross-ownership of a newspaper and television station in a single Designated Market Area ("DMA") increases the newspaper's advertising price. He addresses this by estimating a cross-sectional, reduced-form regression of newspaper advertising prices per inch on market structure and characteristics. The results indicate that cross-ownership is not associated with higher advertising prices per inch, controlling for other factors.

There are some technical questions regarding the application of the econometric model. The first question is why it is necessary to exclude the quantity of advertising sold by the newspaper. The standard approach would be to include this as an explanatory variable and find some instruments to control for its potential correlation with the error term. A second question is why the market's population, rather than the newspaper's circulation, is included as an explanatory variable. The newspaper's circulation is what advertisers are paying to access, and while this is likely to be correlated with market population, we may observe nonrandom fluctuations in this relationship in markets where cross-media ownership structures are present.

Still, it seems unlikely that treating either of these technical questions differently would change the main result of interest.

In summary, my opinion is that the study provides reasonable evidence for its conclusion that markets containing newspaper/television cross-ownership do not exhibit higher newspaper advertising prices per inch than markets without cross-ownership structures. However, it is not clear whether newspaper price per inch is the appropriate basis for setting policy on cross-media ownership restrictions. Economic theory would suggest that advertising price per inch *per consumer* or market efficiency would provide a sounder basis for policy, but the study does not contain results related to either variable.