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Measuring the Effect of Multimarket Contact on Competition: Evidence from Mergers Following Radio Broadcast Ownership Deregulation

by Joel Waldfogel and Julie Wulf

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Abstract

This paper examines the effects of multimarket contact on advertising prices in the U.S. radio broadcasting industry. While it is in general difficult to measure the effect of multimarket contact on competition, the 1996 Telecommunications Act substantially relaxed local radio ownership restrictions, giving rise to a major and exogenous consolidation wave. Between the years of 1995 to 1998, the average extent of multimarket contact in major U.S. media markets increased by 2.5 times. Importantly, the extent of change in multimarket contact varies across markets, and the change in multimarket contact varies separately from the change in concentration. Using a panel data set on 248 geographic U.S. radio broadcast markets, 1995-1998, we find that multimarket contact has little effect on advertising prices. This paper contributes to the empirical literature on multimarket contact by analyzing a different industrial context and using longitudinal data surrounding an ownership deregulation.

Keywords: [Marketing Communications](#); [Markets](#); [Geographic Location](#); [Advertising](#); [Ownership](#); [Price](#); [Telecommunications Industry](#); [Media and Broadcasting Industry](#); [United States](#);

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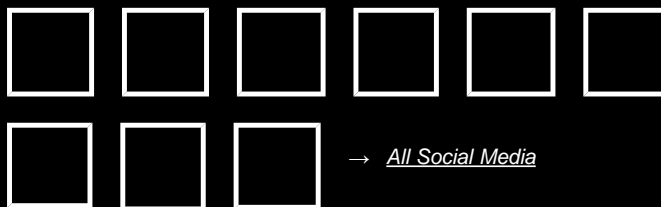
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