

**Transportation Economics II:  
Economics of the Airline Industry  
ECON 282B**

Professor J. Brueckner

Winter 2022

This course will survey the economics of the airline industry, covering both theoretical and empirical topics. The readings can be accessed from an electronic version of this reading list, which contains hyperlinks to online versions of the papers. To access the articles, highlight the title, then right click and select “open hyperlink.” In some cases, you’ll have to click again to open the pdf file.

The only requirement for the course is a take-home final exam. The prerequisite is at least one quarter of Ph.D. level microeconomic theory along with some training in econometrics.

**1. Deregulation of the Industry**

- Borenstein, S., [“The Evolution of U.S. Airline Competition,”](#) *Journal of Economic Perspectives* 6, 45-73 (1992).  
Morrison, S.A. and C. Winston, [The Evolution of the Airline Industry, Chapter 2,](#) Brookings Institution (1995).

**2. The Economics of Hub-and-Spoke Networks**

- Brueckner, J.K., and P.T. Spiller, [“Competition and Mergers in Airline Networks,”](#) *International Journal of Industrial Organization* 9, 323-342 (1991).  
Hendricks, K., M. Piccione and G. Tan, [“The Economics of Hubs: The Case of Monopoly,”](#) *Review of Economic Studies* 62, 83-99 (1995).  
Brueckner, J.K., [“Network Structure and Airline Scheduling,”](#) *Journal of Industrial Economics* 52, 291-312 (2004).

**3. Empirical Evidence on Economics of Traffic Density**

- Caves, D.W., W. Christensen and W.M. Tretheway, [“Economies of Density versus Economies of Scale: Why Trunk and Local Service Costs Differ,”](#) *RAND Journal of Economics* 15, 471-489 (1984).  
Brueckner, J.K. and P.T. Spiller, [“Economies of Traffic Density in the Deregulated Airline Industry,”](#) *Journal of Law and Economics* 37, 379-415 (1994).

**4. The Hub Premium**

- Borenstein, S., [“The Dominant-Firm Advantage in Multi-Product Industries: Evidence from the U.S. Airlines,”](#) *Quarterly Journal of Economics* 106, 1237-1266 (1991).  
Borenstein, S., [“Hubs and High Fares: Dominance and Market Power in the U.S. Airline Industry,”](#) *RAND Journal of Economics* 20, 344-365 (1989).

- Lee, D. and M. Jose Luengo-Prado, ["The Impact of Passenger Mix on Reported 'Hub Premiums' in the U.S. Airline Industry."](#) *Southern Economic Journal* 72, 372-394 (2005).
- Lederman, M., ["Are Frequent Flier Programs a Cause of the Hub Premium?"](#) *Journal of Economics and Management Strategy* 17, 35-66 (2008).
- Ciliberto, F. and J.W. Williams, ["Limited Access to Airport Facilities and Market Power in the Airline Industry."](#) *Journal of Law and Economics* 53, 467-495 (2010).
- Lederman, M., ["Do Enhancements to Loyalty Programs Affect Demand? The Impact of International Frequent Flyer Partnerships on Domestic Airline Demand."](#) *RAND Journal of Economics* 38, 1134-1158 (2007).

## 5. The Effect of Competition on Fares

- Brueckner, J.K., D. Lee and E. Singer, ["Airline Competition and Domestic U.S. Airfares: A Comprehensive Reappraisal."](#) *Economics of Transportation* 2, 1-17 (2013).
- Morrison, S.A., ["Actual, Adjacent and Potential Competition: Estimating the Full Effect of Southwest Airlines."](#) *Journal of Transport Economics and Policy* 35, 239-256 (2001).
- Goolsbee, A. and C. Syverson, ["How Do Incumbents Respond to the Threat of Entry? Evidence from the Major Airlines."](#) *Quarterly Journal of Economics* 123, 1611-1633 (2008).
- Evans, W.N. and I.N. Kessides, ["Living by the 'Golden Rule': Multimarket Conduct in the U.S. Airline Industry."](#) *Quarterly Journal of Economics* 109, 341-366 (1994).

## 6. Insights from Structural Models

- Berry, S.T., ["Estimation of a Model of Entry in the Airline Industry."](#) *Econometrica* 60, 889-917 (1992).
- Bontemps, C., K. Remmy and J. Wei, ["Ex-post Evaluation of the American Airlines-US Airways Merger: a Structural Approach."](#) unpublished paper.
- Berry, S.T., and P. Jia, ["Tracing the Woes: An Empirical Analysis of the Airline Industry."](#) *American Economic Journal: Microeconomics* 2, 1-43 (2010)

## 7. Price Dispersion and Flight Delays

- Borenstein, S. and N. Rose, ["Competition and Price Dispersion in the U.S. Airline Industry."](#) *Journal of Political Economy* 103, 653-683 (1994).
- Sengupta, A. and S.N. Wiggins, ["Airline Pricing, Price Dispersion, and Ticket Characteristics, On and Off the Internet."](#) *American Economic Journal: Economic Policy* 6, 272-307 (2014).
- Alderighi, M., M. Nicolini, and C.A. Piga, ["Combined Effects of Capacity and Time on Fares: Insights from the Yield Management of Low Cost Carriers."](#) *Review of Economics and Statistics* 97, 900-915 (2015).
- Gale, I. and T.J. Holmes, ["Advance Purchase Discounts and Monopoly Allocation of Capacity."](#) *American Economic Review* 83, 135-146 (1993).
- Luttman, A., ["Evidence of Directional Price Discrimination in the U.S. Airline Industry."](#) *International Journal of Industrial Organization* 62, 291-329 (January 2019).
- Mazzeo, M., ["Competition and Service Quality in the U.S. Airline Industry."](#) *Review of Industrial Organization* 22, 275-296 (2003).

## 8. Airline Alliances

- Brueckner, J.K., ["The Economics of International Codesharing: An Analysis of Airline Alliances,"](#) *International Journal of Industrial Organization* 19, 1475-1498 (2001).
- Bilotkach, V., ["Airline Partnerships and Schedule Coordination,"](#) *Journal of Transport Economics and Policy* 41, 413-425 (2007).
- Brueckner, J.K. and E. Singer, ["Pricing by International Airline Alliances: A Retrospective Study,"](#) *Economics of Transportation* 20 (2019).
- Lee, D. and H. Ito, ["Domestic Codesharing, Alliances, and Airfares in the U.S. Airline Industry,"](#) *Journal of Law and Economics* 50, 355-380 (2007).

## 9. Airport Congestion

- Brueckner, J.K., *Lectures on Urban Economics*, Ch. 5.
- Daniel, J.I., ["Congestion Pricing and Capacity of Large Hub Airports: A Bottleneck Model with Stochastic Queues,"](#) *Econometrica* 63, 327-370 (1995).
- Brueckner, J.K., ["Airport Congestion When Carriers Have Market Power,"](#) *American Economic Review* 92, 1357-1375 (2002).
- Brueckner, J.K., and K. Van Dender, ["Atomistic Congestion Tolls at Concentrated Airports: Seeking a Unified View in the Internalization Debate,"](#) *Journal of Urban Economics* 64, 288-295 (2008).
- Mayer, C. and T. Sinai, ["Network Effects, Congestion Externalities, and Air Traffic Delays: Or Why All Delays Are Not Evil,"](#) *American Economic Review* 93, 1194-1215 (2003).
- Johnson, T. and I. Savage, ["Departure Delays, the Pricing of Congestion, and Expansion Proposals at Chicago's O'Hare Airport,"](#) *Journal of Air Transport Management* 12, 182-190 (2006).
- Forbes, S., ["The Effect of Air Traffic Delays on Airline Prices,"](#) *International Journal of Industrial Organization* 26, 1218-1232 (2008).

## 10. Product Unbundling by Airlines

- Brueckner, J.K., D. Lee, P. Picard, and E. Singer, ["Product Unbundling in the Travel Industry: The Economics of Airline Bag Fees,"](#) *Journal of Economics and Management Strategy* 24, 457-484 (2015).

## 11. Airline Emissions and Climate Change

- Brueckner, J.K., and C. Abreu, ["Airline Fuel Usage and Carbon Emissions: Determining Factors,"](#) *Journal of Air Transport Management* 62, 10-17 (July 2017).
- Nahlik, M., et al. ["Spatial Differences and Costs of Emissions at U.S. Airport Hubs,"](#) *Environmental Science & Technology* 50, 4149-4158 (April 2016).