What Can We Learn from Merger Retrospectives? Lessons from the Airline Industry

by

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Time: 10.00 am – 11.00 am
Online Session in Zoom*: Research Seminar by Dr John LAZAREV

*This online session is open to LMS academic staff and LMS students who have registered LGT6111 / 6112 / 6113 / 6114. If other PolyU staff and students are interested to attend this seminar, please register at the link https://polyu.hk/ygzIS by 5 pm, 16 February 2022.

Abstract:

We show that the direction of change in consumer welfare due to a merger is generally not identified retrospectively but can be inferred from the change in quantity if the sign of the merger effect is the same (i.e., monotone) for all consumers. We offer a test of monotonicity and illustrate its use by studying two airline mergers. Both mergers increased traffic but only for American-US Airways we cannot confidently reject a monotone effect. Quantity increases are mostly confined to markets where the government required divestitures, and in these markets, since we cannot reject monotonicity, consumer welfare seemed to have increased.

Bio:

JOHN LAZAREV, Principal Economist at Convoy, LLC and Visiting Scholar at New York University. B.Sc. (economics), Moscow State University, M.A. (economics), New Economic School, Ph.D. (economic analysis and policy), Stanford University. His primary research interests are in the economics of industrial organization. In his research, he develops game theoretic models and applies them to the empirical study of individual industries. His past and current research projects include “The Welfare Effects of Intertemporal Price Discrimination: An Empirical Analysis of Airline Pricing in U.S. Monopoly Markets”, “Simulating the Dynamic Effects of Horizontal Mergers: U.S. Airlines,” “Getting More from Less: Understanding Airline Pricing,” “Quantifying Delay Propagation in Airline Networks”. Dr. Lazarev currently resides in Seattle, USA.

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All are welcome!