1.

V S H F L I L F D W L R Q H I I H F W L Y H O \ D V Q D R Q J X E V H W W H H Q R U D E K

U H O H Y D Q W F R Q F X H V S H W G V W D K U G R X W J H K R X W G H W K F L V L E H S K H R Z Z H F R Q V
G D W D V H W R I R X U 2 Z R U F R L Q R J P R W E H V H Q W H G L Q

virtual codeshared product is defined as an

Table 1
Cites, airports and population

City, State	Airports	City pop.		
		2005	2006	2007
New York-Newark-Jersey	LGA, JFK, EWR	8,726,847	8,764,876	8,826,288

Table 1 Continued
Cites, airports and population

City, State	Airports	City pop.		
		2005	2006	2007
Louisville, KY	SDF			

repeated many times, each time at a different price, making the dataset extremely large. To make the data more manageable, we collapse the data based on our definition of product (unique itinerary-airline(s) combination) for each quarter. Before collapsing the data, we aggregated the number of passengers and averaged market fare over each defined product.

demand estimation will verify wh

E H W Z H H Q Γ S D L V W Q H U W H G L Q

S R L Q W H G R X W D Q G G L V F X V V H

R S W L P L] D W L RQ S/UXF EKOW R D W W K H VW RO H FRE W R F PLQYLHP LX HQ F
,ঠ্ঁ

measures of the degree of competition that a product faces, which affects the size of a SURGXFW¶V PDUNXS

6LPLODUOD &&&RD9LO ZH DOVR H[SORLW WKH WLPH G FRQVWUXFW DQRWKHU VHW RI LQGH[HV IRU SULFH

7DEOH
'HPDQG (VWLPDWLRQ

The following disc

marginal cost is $106.17. Therefore, the demand estimates combined with the short-run

While joint estimation of the full set of parameters $-,\Gamma,=$

in Appendix B.

D Q G L P S U H F L V H O \ H V W L P D W H G

(VWLPDWHV IURP 7DEOH 9 UDQJH RI DQDJH HVWNDaàÉ N‘Uh„€ 0
PDUNHW LV DSSURSULDWH DY HUDJH HVWNDaàÉ N‘Uh„€ 0

S H U F H Q W DÀÀ W8À U•À U€À P€F@ hJ HQÀ P €Q H`Q `P @ à Hp

5. Concluding Remarks

7KH PDLQ REMHFWLYH RI RXU SDSHU LV WR SURYLGH D LQYHVWLJDWH

where

$$Pr_{\text{ئ}}\ \text{سي}\ \text{"0}_{\text{ئ}}\ \ \text{'Y}_{\text{خث}\,\text{٨٥}}\,|\,\text{'Y}_{\text{خث}}\ \ {}^{z}\ \text{Б}_{\text{ج}\,\text{ـَـ}\,\text{ث}}\ \text{"0}_{\text{ئ}}\,\text{ش}\,\text{'Y}_{\text{خج}\,\text{٨٥}}\ \ \text{'Y}_{\text{خج}}\,\text{ش} \tag{A7}$$

&KHQ = DQG 5RVV $OOLDQ 36WUDWHJLF 6KDUHG)DFLOLWLHV DQ
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