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Borenstein (1989) - Hub and high fares : dominance and market power in U.S. airline industry.

This article try to find the relation between dominance and market power with an ability to mark up the cost. Only the correlation between route concentration and high price is not enough for the explaination, so, there are many other factors that allow the dominant carrier to deter entry and get some competitive advantage. For example, Frequent-flyer programs (FFPs) which gives a gift to a customer, attracts repeat business and related between employees and employers and Travel agent commission override program (TACOs) which pay bonus to travel agents who generate profit from the airline. In contrast, TACOs may create the bias information through computer reservation system (CRS) which lead to asymmetric information. It uses two different approaches to analyze the effect of route and airport dominance on the prices that an airline charges, the cross-section estimation of a carrier's markup over cost and the cross-section estimation of the ratio of two observed airline prices on a route. The information shows that airline's share of traffic at airport is not only a concentration among all airlines but also a contribution to its market power that lead to charge a higher price. These two results are calculated econometrically and broadly consistent which show an evidence that hub-and-spoke air transport systems allow more efficient use of aircraft and other input. Moreover, it show the possibility that marketing devices provide the advantage of airport dominance and the link between airport dominance and high fares seem clear from those equation and result sections.