

**Borenstein (1989)**

**Hubs and high fares: dominance and market power in the US airline industries**

The paper estimates the importance of route and airport dominance in determining the degree of market power exercised by an airline. There are two empirical findings; first, the high average prices that some airlines are able to sustain in concentrated markets do not permit all participants in the market to charge similar prices and second, one source of market power on city-pair routes seems to be the size of a carrier's operations at the endpoints of the route. This tends to increase the airline's share on route and its average price. In conclusion, the author finds out that the link between airport dominance and high fares seems clear and there may be cost savings that are not fully passed along to consumers, but still increase total surplus in the form of profit. These possible benefits have increased airport shares.