



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN
BERGHEIMER STR. 58, 69115 HEIDELBERG, TEL. 06221/54-2941, FAX: 06221/54-3592
REDAKTION: FREYA SCHADT, EMAIL: NEWSLETTER@AWI.UNI-HEIDELBERG.DE

AWI This Week

Monday, 5.12.11

Departmental Seminar

17.15-18.45

Kai Hüschelrath, ZEW Mannheim

AWI 00.010

"Patterns and Effects of Entry in U.S. Airline Markets"

Wednesday, 7.12.11

Departmental Workshop

17.15-18.45

Audrey Hu, University of Heidelberg

AWI 00.010

"Premium Tactics in Auctions"

Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Departmental Seminar

Kai Hüscherlath

"Patterns and Effects of Entry in U.S. Airline Markets"*

We use T-100 traffic data and DB1B fare data from the U.S. Department of Transportation to identify patterns and effects of entry by network carriers and low-cost carriers in non-stop U.S. airline markets. For the sample period from 1996 to 2009, we find that entry activity of low-cost carriers did not only experience significant absolute increases but also led to substantial fare reductions. As route entries by network carriers do not have comparable effects, the existence and expansion of low-cost carriers must be considered as the main driver of competition in the domestic U.S. airline industry.

*with Kathrin Müller

Departmental Workshop

Audrey Hu

"Premium Tactics in Auctions"*

Premium auctions are featured by the seller offering a share of profit, called "premium" to a number of highest bidders when the auction ends successfully. This paper analyzes an English premium-auction model in which the highest two bidders receive the premium. The setting of this model extends that of Maskin and Riley (1984) in three aspects: (i) the seller's reservation value can be higher than some bidders' willingness to pay, (ii) the seller can be risk averse, and (iii) the auctioned object can entail ensuing risk while the bidders are heterogeneous in their privately known risk preferences. We show that the performance of the premium tactics is directly related to the following factors: (a) the seller's degree of risk aversion, (b) the riskiness of the asset for sale, and (c) the degree of risk tolerance of the second highest bidder. Increasing any of these factors tends to make the premium tactics more attractive to the seller. In general, provided that the seller is expected to be more risk averse than the winning bidder, there always exists a set of simple premium rules that enhance the seller expected utility. All bidders who are risk averse will also prefer such English premium auctions over the standard English auctions.

*with Theo Offerman, and Liang Zou

Talks and Research Visits

Krishna Chaitanya Vadlamannati presented his paper "Fighting Corruption or Fighting Elections? The Politics of Fighting Corruption in India: A Subnational Study, 1988-2009" in PhD colloquium at South Asia Institute, Heidelberg, November 29.

New Publications

Hartmut Sangmeister/Alexa Schönstedt: "Volkswirtschaft verstehen lernen. Von Arbeitsmarkt bis Zahlungsbilanz für Nicht-Ökonomen". Baden-Baden: Nomos Verlag (= UTB 3580).

**Editorial deadline for issue 30/2011 of the newsletter:
Wednesday, December 7, 2011, 12 o'clock
newsletter@awi.uni-heidelberg.de**

If you would like to receive the newsletter by email,
please contact the address above.