ABSTRACT:

Despite the prevalence of Multi-market firms (MMFs), there is very limited theory on the implication of competition between MMFs on market outcomes. This paper formalizes a simple, strategic and competitive effect of multi-market contact (MMC) and studies the market implications. We show MMC can change the quantity provided by a MMF in a market by as much as 50%. We apply the analysis to competition in the US airline industry. We find supporting evidence for the competitive effect of MMC and show that previous studies may have, in fact, over estimated the extent of anti-competitive behavior by airlines.

Bio:

Guy Arie completed in Ph.D. in Northwestern University's Kellogg School of Management this year and received the Transportation Center Dissertation Year Fellowship award. He will join the University of Rochester's Simon School of Business as an Assistant Professor in Economics and Management in July. Guy studies firm strategies and employee incentives in dynamic settings.

Prior to pursuing his PhD, Guy worked as an R&D engineer and manager in large Aerospace and Communication firms.

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