

Syllabus for ECON 471-001/695-001 Airline Economics Class – Spring 2022

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Course Description: This course outlines the economic underpinnings of the commercial airline business. Running a successful airline often means dealing with fundamental economic concepts that drive many decisions: where to fly, when to fly, with what airplanes, at what price, with what labor, within what regulations, who to partner with, and within a competitive framework. The airline industry lends itself well to the direct application of economic theory, and students will gain an appreciation for the complexity and economic basis for most key airline decisions. The course is dual-listed at the undergraduate and graduate levels.

The class is applied economics. The course is divided into four main sections that correspond to the decisions made by an airline's Chief Commercial Officer, Chief Operating Officer, Chief Financial Officer, and General Counsel.

How The Class Will Work

Teaching this class online for a few semesters has taught me some important ideas that will be incorporated into this live, in-class semester. Most importantly among these is that our class time will **not** include any long lectures. Instead, five days before each class I will upload a lecture video that you will need to watch prior to the live class. This way, in the class we can reinforce ideas, go deeper into some areas, tell stories, and do some project-based, in-class activities. Other important details:

- Classes will meet live at 4:30PM each Monday in Planetarily Hall, Room 124 on the Fairfax campus. Most classes will last between 1.5 and 2.0 hours.
- A recorded copy of a lecture by me will be uploaded to blackboard no later than Thursday PRIOR to class. I expect everyone to have watched the lecture by class time, as described above.
- Blackboard will be used for all videos, exams, and coursework to be offered and submitted.

What You will Learn: : During this course, students will learn the ways that economics drive key airline decisions and demonstrate this in multiple ways.

Prerequisites: Students should have an understanding of the concepts taught in initial courses on Micro (ECON 306) and Macro Economic and basic Statistics. Alternatively, students in the Engineering or Business programs with a strong interest in aviation would also be prepared. Graduate students, by nature of their admission into the program, are all eligible for the class.

Required Reading: There is no text that adequately covers the materials that will be addressed in this course. Required readings will be distributed throughout the course and understanding the content of these is expected. At times, we will read the materials together in the class and/or have discussion groups to discuss an assigned reading. Reading in this class is not make-work; readings are meant to augment and further develop ideas we discuss in the class. I also will supply some readings as optional only for those with a special interest in the topic or for reference that could be helpful in class assignments. All readings will be supplied via Blackboard or in hard copy. Some “readings” will also be videos.

Class Features:

- **Lectures** will be recorded and viewed in advance of the live class
- **Exit Tickets** will be a quick quiz or project at the end of each class, and when finished you turn it in and leave. There will be 12 exit tickets in the class (none given on the two exam days), but only 10 are required. Completing all twelve, however, can get you an extra four points.
- **Guest Speakers** will be invited to help offer a different voice and experience. Any speaker will be experienced in the content related to that week's class.
- **Case Studies** of simulated airline situations with students' ability to decide how they would react. These are simplified “Harvard Business School” style cases, with specific issues and data given. Students will be expected to draft their approach to solving the issue presented, using data given and outside research. Cases will be worked on in individually and those that show exceptional preparation and thought will earn

bonus credit and be asked to present their case to the class in the following week.

- **Readings** will reinforce topics discussed in the lectures and add additional detail. I will not ask you to read things that don't directly apply to material that we are learning.
- Students may be asked to share insights on their own airline experiences.
- As part of the materials distributed for each class, a set of notes covering the major topics of the class will be provided. Collectively, these notes make a great study guide for the exams.

Grading: Grading for the class is as follows:

Feature	Undergrad Value	Graduate Value	Total
Exit Tickets (12) *	2% Each	2% each	24%
Homework (4)	5% Each	5% each **	20%
Business Cases (2)	15% each	15% each **	30%
Case bonus (2)	2% each	2% each	4%
Mid-term Exam	10%	10%	10%
Final Exam	20%	20%	20%
Possible Value	108%	108%	108%

* You can earn 100% in the class by only turning in 10 of the exit tickets

** Graduate students will have a higher standard of grading on both the homework and the business cases, mostly expecting better quantification.

Late Work: Homework is due by the start of the class the following week it is assigned. Business Cases will be due two weeks after assignment. Late submissions can earn partial credit that decreases as a function of how late it is submitted.

Use of Online Resources: Students are encouraged to use online resources to better develop case results and homework. Referring to earlier class session homework or cases (on sites such as Chegg) however will likely result in weakened attempts, as the homework and cases change each session.

Relationship to SYST 461/660: The Engineering School offers a class on Air Transportation Systems Engineering. The ECON Airline Economics class is nicely synergistic with the Engineering class, in that some of the topics are similar but the approach is different. This ECON class is focused on the economics, finance, and business aspects for managing an airline rather than the engineering concepts for designing an air transportation system. Students wanting a more complete understanding of the commercial air transportation system should consider taking both courses.

Other Important Information

To Access Blackboard:

- Go to <http://mymason.gmu.edu>.
- Login using your NETID and password.
- Click on the 'Courses' tab.
- Double-click on ECON 471-001 or ECON 695-003 under the course listings

Technical Help: If you have difficulty with accessing Blackboard, please contact the ITU Support Center at 703-993-8870 or support@gmu.edu.

Honor Code: Students must adhere to the guidelines of the George Mason University Honor Code.

The George Mason University Honor Code states: "Cheating and attempted cheating, plagiarism, lying, and stealing of academic work and related materials constitute Honor Code violations. To maintain an academic community according to these standards, students and faculty members must report all alleged violations to the Honor Committee." Students are encouraged to read the full Honor Code: <https://oai.gmu.edu/mason-honor-code/> and to remain vigilant against any violation of the Code in their own work. Any cases of academic dishonesty in this course will be pursued according to the guidelines detailed in the University Catalog.

Time Conflict: George Mason University is committed to creating a welcoming, respectful and inclusive educational environment that values diversity. Students should review the syllabus at the beginning of the term to determine if there are any conflicts between class time and religious observance. It is the student's responsibility to inform the instructor of these conflicts within the first week of the semester. <http://ulife.gmu.edu/calendar/religious-holiday-calendar/>

Students with Disabilities: Students with disabilities who seek accommodations in a course must be registered with the George Mason University Office of Disability Services (ODS) and inform their instructor, in writing, at the beginning of the semester [See: <https://ds.gmu.edu/>].

Counseling and Psychological Services: The George Mason University Counseling and Psychological Services (CAPS) staff consists of professional counseling and clinical psychologists, social workers, and counselors who offer a wide range of services (individual and group counseling, workshops and outreach programs) to enhance students' personal experience and academic performance [See <http://caps.gmu.edu>].

Email: Mason uses only Mason email accounts to communicate with enrolled students. Students must activate their Mason email account, use it to communicate with their department and other administrative units, and check it regularly for important university information including messages related to this class.

University Catalog: <http://catalog.gmu.edu>, is the central resource for university policies affecting student, faculty, and staff conduct in university academic affairs. Other policies are available at <http://universitypolicy.gmu.edu/>. All members of the university community are responsible for knowing and following established policies.

Syllabus and Course Changes: The syllabus is a general plan for the course. Deviations may be necessary and will be announced by me.

Course Outline by Week:

Industry background and necessary metrics:

Week 1: Airline industry structure, basic economic structure

Week 2: Economic airline metrics and their limits

The Airline Chief Commercial Officer

Week 3: Pricing and Ancillary Revenue

Week 4: Revenue Management

Week 5: Aircraft Scheduling and Planning

Week 6: Customer Service and Frequent Flier Programs

Week 7: Mid-term Exam, beginning with Open Q&A

The Airline Chief Operations Officer

Week 8: Airport economics and the relationship with airlines

Week 9: International Operations and Airline Alliances

The Airline General Counsel

Week 10: Airline Labor economics

Week 11: Economic impact of governmental regulations

The Airline Chief Financial Officer

Week 12: Fleet Planning, Analysis, Financing, and Contracts

Week 13: Airline Cost Structures and Profitability Measurement

Week 14: Special Topics/ Final Exam Q&A

Week 15: Final Exam