

SUMMARY

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Although I originally planned on researching price and volume of trading in European car markets, ultimately my summer was spent focusing more on price and volume of trading in the airplane market. The airplane market is so fascinating because it applies much of the basic economics learned in microeconomics, as well as some of the abstract theories learned in Law and Economics and Game Theory. Nevertheless, these ideas are unified by the fact that they make sense. It was the application of these ideas – seeing these ideas in action – that was especially rewarding. For instance, while studying asset liquidity of airplanes through lease contracts, it was apparent how different contracts created incentives for entirely different consumer/producer behavior. At the end of capital leases, the lessee acquires ownership of the asset, whereas at the end of operating leases, the lessor acquires ownership of the asset. In this case, the assets are airplanes. The use of the airplane market in this analysis was not a careless move. Airplanes are ideal because they are essentially easy to liquidate – airplanes are standard and similar between commercial airlines – and they have low transportation costs. Therefore, the asset itself determines the type of lease that was ideal and thus formed.

But even beyond the theoretical framework and hypotheses, Professor Gavazza's work entailed empirical analysis to justify these theories. It was in the empirical analysis that I was able to brush up on the analysis techniques I learned in econometrics I and II. It was especially important to use Probit and Logit regression analyses through STATA. (I have much respect for the calculating powers of STATA.) Ultimately, it was found that the data support the hypothesis that the liquidity of the asset affects the type of leasing contract, the duration of the contract, and the mark-up on the asset.

Specifically, this summer I was mainly responsible for editing papers for content, paper structure, grammar, and economic analysis. For instance, one week Professor Gavazza asked that I edit his paper called "Asset Liquidity and Financial Contracts: Evidence from Aircraft Leases." I also organized and formatted data when necessary. The work cultivated in me attention to detail as well as the ability to evaluate and modify essay structure.

Despite enjoying my SRO experience, I do have some wish there was more structure to the SRO program. For instance, could there be a way to make the SRO experience full-time for just part of the summer? Also, it could make sense for students to get together to talk about their research to induce more reflection. I would have found more reflection during the process would have been rewarding.