

Comments on Panel of Country Studies

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Disclaimer

- The views that I express here today are my own, and do not necessarily reflect the views of the Board of Governors of the Federal Reserve System or its staff

Research on Two-Sided Markets

- Many theory papers
- Limited empirical work
- Important and interesting topic, but not much data

Weiner and Wright Paper

- Standardized set of information for a number of countries
- Nicely organized to highlight similarities and differences in payment networks across countries

What did I learn from this paper?

- Usage of credit and debit cards varies considerably across countries.
- While in most countries the interchange fees for Visa and Mastercard are set collectively by members of the network, this is not universally true.
- In most countries where PIN-based debit exists, only one or two networks provide this service; in the US, however, there are more than a dozen PIN debit networks.

More “What did I learn?”

- Consistent with the predictions of the theoretical models, there appears to be an inverse relationship between movements in credit card interchange fees and cardholder fees.
- The roles played by antitrust authorities and central banks in influencing operating rules and pricing in payment card networks have varied considerably across countries.

Gilo and Spiegel Paper

- Tells fascinating tale of Israeli Antitrust Authority's largely unsuccessful efforts to introduce competition into the Israeli credit card industry.
- Historical factors and banking industry structure have made it very difficult to change structure of credit card industry.

Impediments to change

- Extremely high concentration of Israeli banking industry
- Tying of credit card issuance to deposit accounts
- High existing penetration of credit cards
- Reluctance of credit card companies to infringe on each other's turf

Negrin Paper

- Low rate of penetration of credit and debit cards in Mexico
- May be due to interchange fee structure that discriminates against small merchants
- May reflect high proportion of Mexican population that is “unbanked”

Where do we go from here?

- More case studies
- Expand analysis to include other factors such as:
 - Structure of banking industry
 - Nature of banking relationships
 - Characteristics of credit markets
 - Consumer preferences