Innovation and Network Structure

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Payment systems are typically but not invariably joint ventures. Joint ventures are an efficient structure for payment systems because they permit risk sharing, enable firms to share start up and promotion costs, and may foster innovation.

Yet payment systems joint ventures have often been accused of stifling market entry and innovation. What are the pitfalls of the joint venture structure and particularly joint venture rules on new product creation and innovation?

To analyze this issue I will examine two examples - the Interac ATM/Debit card network in Canada and the VISA network in the US. In both cases, there were specific rules challenged by the antitrust officials for deterring innovation

I will discuss how networks innovate, how joint venture structure and rules impact the ability and incentive to innovate, and how innovation competition should be analyzed.

A few of my related publications include:

"The *Visa-Mastercard* Decision and its Implications for High Tech Markets," mimeo, White and Case, LLP (November 2001).

"Creating A Payment System Network: The Tie that Binds or an Honorable Peace?," *Business Lawyer*, Vol. 55 (May 2000), pp. 1391-1408.

"The Problem of Interchange Fees: Costs Without Benefits?," *European Competition Law Review*. Vol. 21 (April 2000), pp. 215-223.

"Networks and Exclusivity: Antitrust Analysis to Promote Network Competition," *George Mason Law Review*, Vol. 7 (Spring 1999), pp. 523-76.