I want to begin with the premise that the legislation pending in Congress, in whatever form is ultimately adopted, will be successful in reducing interchange fees before turning to the question of whether such a reduction can be justified. Proponents of interchange fee legislation offer two basic defenses of the legislation. The first is as a statutory substitute for a perceived failure of both markets and competition law to address the “problem” of interchange fees. Various iterations of this defense of interchange legislation rely on economic arguments that the balance of economic arrangements between merchants and cardholders chosen by Visa or MasterCard over time involves the exercise of market power and reduction of output, or on the general theory that cross-subsidization of credit card users by cash and check customers (whether or not this subsidization is a function of market power) warrants intervention. Many of the comments in this symposium focus on this dimension of the interchange debate. It is an important dimension. I will discuss the proposed legislation from an antitrust economics perspective in my second post.

[Read the full piece here](#).