



Department of Justice

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**PREPARED REMARKS OF ASSISTANT ATTORNEY GENERAL JOEL I. KLEIN
ON DOJ CASE AGAINST VISA AND MASTERCARD**

“This is an important case. It will help America’s consumers and businesses in a market that is critical to all of us -- charge cards and credit cards. We all have these cards, whether issued by Visa, MasterCard, American Express, or Discover, and we all rely on them pretty much on a daily basis.

“But despite the importance of credit and charge cards, we’re not getting the best we can from them because of the serious anticompetitive actions engaged in by Visa and MasterCard. As Chart 1 over here reflects, those two groups control three-quarters of the credit card business in the U.S., and so their activities are especially serious.

“What’s the problem? Well, to begin with, these two networks -- the number 1 and number 2 players in this market -- really don’t compete with each other. That’s because they’re both controlled by the same banks (an arrangement that is referred to in the industry as “duality”). And, since the same banks issue both cards, they won’t allow Visa and MasterCard to engage in head-to-head competition to develop new products and services.

“The remarkable thing is that each of the defendants in this case has already admitted to this lack of competition in prior sworn testimony and communications with the Justice Department, as the quotations on Chart 2 indicate. Despite this candor, however, Visa and MasterCard insist on continuing with their patently anticompetitive arrangement.

“Our investigation has turned up several specific examples where consumers have been hurt by this joint refusal to compete. The Attorney General mentioned smart cards, which were delayed by about a decade; we found similar anticompetitive practices with respect to commercial cards as well as with efforts to develop a system of secure transactions for the internet, something consumers and businesses would obviously welcome. Indeed, a Visa executive recently explained that, “if we had our group [of banks] and [MC] had their group, . . . [an internet product] would be out already.” Although this system has finally come out, its appearance was substantially delayed because of duality.

“Not only have these two dominant credit card systems refused to compete aggressively with each other, but they have taken steps to shelter themselves from competition by other networks. They have done this by prohibiting their members banks from dealing with any of their real competitors, such as American Express or Discover. The language of these prohibitions, which is contained on Chart 3, is to say the least, revealing.

“These rules reduce consumer choice and further harm competition among the major credit and charge card systems. Significantly, when these policies were questioned by antitrust authorities in other parts of the world -- in Europe and South America, for example -- Visa and MasterCard decided not to adopt them there. The result has been more competition with better options for consumers and businesses. We look forward to the same results here once these restrictive, anti-consumer rules are knocked out.

“Credit and charge cards -- now, and probably even more so in the future -- are simply too important to limp along in an industry that is competitively impaired. This lawsuit is

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designed to bring full competition so that America's consumers and businesses can be assured of the very best, most innovative credit and charge card products at the lowest possible prices."

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