

The Adoption of Standards under Uncertainty

Michael Ostrovsky, Michael Schwarz

Speaker: Michael Schwarz

e-mail: mschwarz@harvard.edu

Harvard University, Department of Economics

U.S.A.

KeyWords: Coordination games, Global games, Technological Standards

ABSTRACT

The presence of noise in compliance times may have a critical impact on the selection of new technological standards. A technically superior standard is not necessarily viable because an arbitrarily small amount of noise may render coordination on that standard impossible. The criterion for the viability of a standard is that the sum of "support ratios" of all players must be smaller than one, where the "support ratio" is defined as the ratio of the firm's per-period cost of supporting a standard to the per-period gross benefit that a firm receives after all players comply with the standard.