

Letter to Washington Post – Oct. 8, 2024

## **Congress should protect consumers from both high credit card interest rates and transaction fees**

Karl Polzer – Center on Capital & Social Equity

A Washington Post editorial's assertion that lowering usurious credit card interest rates would hurt low-income consumers is wrong. (See: [Opinion | Trump's plan to cap credit card interest rates would hurt consumers - The Washington Post](#).) Capping credit card interest as proposed by former president Trump and members of both parties in Congress would help millions of Americans now trapped in debt they cannot repay.

The argument that restricting the supply of super expensive bank credit would drive consumers to payday lenders resembles the argument that controlling abuse of prescribed opiates is bad because it might push users to buy unregulated heroin. Exorbitant interest rates, like opium products, can cause great damage in any form. The nation's biggest banks in effect have become today's payday lenders.

Along with interest rates, banks also gouge consumers and merchants with exorbitant [credit card transaction fees](#), resulting in billions of dollars being shifted from low-income to higher-income households. For example, [Boston Federal Reserve Bank](#) economists in 2010 found that transaction fees coupled with reward programs resulted shifting an average of \$149 from cash-using households, which tend to be lower-income, to higher-income credit card using households. Households using credit cards received an average of \$1,133 from cash users each year. Those numbers would be much higher now.

Congress could help middle- and lower-income households - which do not share much of resulting bank profits - by bringing credit card fees in line with much lower international norms. The entire US credit card system needs reform. Just because Donald Trump is latest politician to suggest it, does not mean that protecting consumers from being trapped in credit card debt is wrong. As the saying goes, even a broken clock is right twice a day.

Karl Polzer is founder of the [Center on Capital & Social Equity](#) which analyzes economic inequality and advocates for “the bottom 50%.”

Source: [“The U.S. \(quietly\) lets banks extract high credit card transaction fees. This raises prices for everyone and shifts \\$billions from poorer to wealthier Americans”](#)