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Congress as Corporate Hack

By Doug Bandow on 6.10.11 @ 10:23AM

One of the worst aspects of the financial regulation bill passed last year was Sen. Richard Durbin's success in acting as a lobbyist for large retailers who wanted to pay less for debit transactions. Pity Walmart and other major companies, voiceless victims of the banks. For them Sen. Durbin won passage of an amendment reducing so-called swipe fees. Reported USA Today.

"It's an outrage to make consumers across America pay this. They pay it every time they use their debit cards, and the merchants and retailers who collect it have no voice," said the cap's chief proponent, Sen. Dick Durbin, D-Ill.

My goodness. Consumers across America also have no voice in what they pay for detergent, televisions, autos, and everything else. I mean, some company somewhere DECIDES WHAT TO CHARGE. Perhaps Majority Whip Durbin would like to set every other price in the economy?

There is no "right" swipe rate, just as there is no right price for anything else. The swipe rate should be a market transaction based on the interaction of banks, stores, and consumers. It certainly is not a matter for special interest-minded politicians like Sen. Durbin.

However, the retailers, with Sen. Durbin in the lead, won passage of an amendment authorizing the Federal Reserve to set prices. The likely impact will be to increase fees for consumers, though exactly who will pay what is hard to predict. It's worth asking Sen. Durbin why he wants to transfer money from retailers to consumers, but I suppose the former give larger campaign contributions.

The banks regrouped and on Wednesday lost an effort to delay the new Fed rules to allow a study of the likely impact of federal price-fixing. Naturally, the retailers would have none of it. All they care about is saving money, courtesy the Senator from Illinois. So it now looks like the rules will take effect on July 1.

This is precisely the sort of special interest legislating that appropriately brings Congress into further ill repute. One wonders what corporate interest Sen. Durbin will next champion against the consumer. So much for Democrats being the self-anointed party of the people.

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