

From: Sharla Reinhart
Subject: Reg I I - Debit card Interchange

Comments:

I could not support this point of view more! It is time for our government to back out of the business of business and to allow the public responsibility for correcting poor business practices. If the public quits using items marketed because they are not happy with what they pay the business community will look at ways of modifying what they are charging. It is not the business of the government to manage pricing. We will no longer be a free market. However, I am not opposed to having businesses who control so much of the market held liable for their poor practices but by the media not the government, but only after they have done their research and truly understand why the cost and price is the cost and price. Most of government doesn't have a clue about managing a business as is obvious from our current state of government finance.

This is my personal opinion as a citizen.

Sharla Reinhart

Upon Further Review: Debit Card Interchange Regulations Not That Bad

Submitted by Marcus Rothaar on Thursday, February 3, 2011 (4 hours ago)No Comment

Source: Getty Images

Dear Senator Durbin,

I know you have taken a lot of heat lately over the debit card interchange regulations that you squeezed into the Dodd-Frank Act, especially after the Fed released their proposed regulations which use your blueprint, but I think I'm finally starting to come around on this. At first glance, the idea of regulating pricing on a commercial service seemed shortsighted at best. But the more I thought about it, the more I realized that this concept could be a great benefit to our economy and American consumers. I was particularly swayed by the notion that the debit card interchange fee received by a card issuer be "reasonable and proportional" to the transaction cost incurred by the issuer, without regard for the upfront investment and all ongoing development, promotion and risk management costs. This is a truly brilliant idea, and one I believe should be extended to other industries, all in the name of consumer protection, of course. As a result of my newfound appreciation for the wisdom of your bill, I encourage you to also consider the following for future legislation:

I love purchasing music through the online Apple iTunes store. It wasn't long ago that I had to schlep to the local record store to pick up the latest Neil Diamond album. (What can I say? The man is still making relevant music.) But

now I can download twenty different versions of "Sweet Caroline" and "Song Sung Blue," all while sitting at home wearing nothing but my boxers (something I was never able to do before because of a pesky "no shirt, no shoes, no service" sign posted at my favorite local record store).

But as much as I love purchasing music on the Interwebs, I bemoan having to pay \$0.69 to \$1.29 for a song that probably costs Apple fractions of a penny in transaction costs to deliver to me. Don't get me wrong - I realize that a portion of my payment is compensation to the artist, and I wouldn't dream of taking money out of Mr. Diamond's sequin shirt fund. But after the record company gets paid, why should Steve Jobs be able to charge unreasonable and disproportional transaction costs? (And don't be fooled by the fact that the poor guy always wears the same black mock turtleneck. I bet he has some expensive sequin shirts hiding away in his closet that are financed through these unfair profits.)

Make no mistake, Dick: This will not be an easy fight. The detractors will come out of the woodwork, carrying on about how some dude named Adam Smith had invisible hands and a bunch of other stuff that won't make any sense to either you or me. These so-called "economists" will proclaim that Apple should be able to charge more than what we know to be reasonable because there are costs involved beyond just the "transaction." But you and I know better. We know that the costs of marketing, fraud prevention, customer support and whatever other overhead they try to get compensated for have no place in a discussion of reasonable and proportional transaction costs. Besides, as noted in the Federal Reserve proposal for debit card interchange fees, "issuers have other sources, besides interchange fees, from which they can receive revenue to help cover the costs of debit card operations." This logic is infallible, because we all know that Apple makes more than enough money on iPods, iPads and iPhones to more than cover the costs of delivering compressed audio files to computers around the world.

After we win this battle against the injustices of iTunes pricing, we must not rest on our laurels. Not with so many other inequities that exist in this wild and woolly free market of ours. How can Starbucks charge four dollars for a cup of coffee when it takes a barista earning minimum wage only a minute to make it? Factor in the costs of a few coffee beans and some syrup and that grande caramel macchiato should cost no more than 20 cents. A six-dollar burrito at Chipotle?, Ay caramba! They can't be serious! My wallet (and liver) screams every time I take out a 10-dollar bill for a beer at a White Sox game and only get a dollar back in change (although I would be in favor of exempting Chicago Cubs fans from any new pricing regulation benefits). Airline baggage fees, rental car fuel surcharges . I could go on and on, and we will, all in due time. None of the fees for these services are reasonable or proportional to the costs. Even the Federal Reserve seemed to struggle with how to interpret the terms "reasonable and proportional," finding "only limited examples of other statutory uses of the terms" with respect to fees. That's good news for us, as we can now use their interpretation as precedent in our future battles.

Your new supporter in the fight against capitalism,

Marcus

P.S., Speaking of letters, the Federal Reserve Board has received approximately 2,500 comments regarding the Reg II Debit Card Interchange Fee proposals, from

individuals and institutions on both sides of the issue. There are more than 15,000 financial institutions, the vast majority of which offer debit cards. Which begs the question, does the Federal Reserve Board have your input on their proposal yet? Comments are due by February 22, 2011.

<http://www.federalreserve.gov/newsevents/press/bcreg/20101216a.htm>