2026-11-27

WSJ Print Edition

A government price control on credit means less available credit.

Brace for the Trump-Warren Credit Card

President Trump loves making deals, but does he have to make this particular deal with Democrats? We mean capping the interest rate on credit cards, which is emerging as one of the first points on which Mr. Trump might agree with the new Democratic Congress.

"I would do it," Mr. Trump said Saturday on Fox News when asked whether he'd cooperate with Democrats to impose a one-year cap on interest rates. "The credit card companies, they're getting too much." Mr. Trump previously has promised a 10% cap. So have Senators Elizabeth Warren and Bernie Sanders.

The political game here is easy enough to see. Voters signaled this month that they think daily life is too expensive. Credit-card interest rates have risen steadily in recent years in response to inflation and the Federal Reserve's rate increases to combat it. Also partly due to inflation, balances are soaring, to a record of nearly $1.3 trillion as of the third quarter this year.

Mr. Trump believes that low interest rates are always and everywhere good for everyone. He promised in the 2024 campaign to limit credit card rates. Big-government Republicans such as Sen. Josh Hawley of Missouri are on board. What's not to like?

It's crackpot economics, for starters. A price control on credit will result in less credit. Rather than making credit cheaper for households, the rate cap likely would make it less available for millions of people.

Those high credit-card rates, relative to other forms of credit, compensate lenders for the risk of making unsecured revolving loans. Issuers know that if a household runs into financial trouble, the credit card bill will be last in line behind the mortgage and auto loan for repayment. The rates compensate for failure to repay. The card industry estimates that a 10% rate cap could lead to cutting off the plastic for up to 88% of open accounts.

Which is why this debate is less about high interest rates and more about who gets to charge them. One set of lobbyists in favor of the rate cap are "buy now pay later" (BNPL) lenders, the breed of companies offering consumer credit at the point of sale to pay the full price in installments. They bill themselves as alternatives to credit cards.

"I think that President Trump is super wise and willing to take on the banks on behalf of the U.S. consumers," Klarna chief executive Sebastian Siemiatkowski said when Mr. Trump popped off about the 10% credit-card rate cap in January. That episode triggered a 3% bump in the share price of Affirm, another BNPL lender. Both companies also offer unsecured consumer loans at rates up to 36%.

This is all basic economics, and classic political economy. It's a lesson many Democrats never learn but that Republicans tried to teach Mr. Trump as they have blocked this rate-cap nonsense on Capitol Hill while in the majority. If Mr. Trump's plan for working with Democrats is to rip up every Econ 101 textbook in sight, buckle up for a rocky two years.

For personal, non-commercial use only.

The following is a digital replica of content from the print newspaper and is intended for the personal use of our members. For commercial reproduction or distribution of Dow Jones printed content, contact: Dow Jones Reprints & Licensing at (800) 843-0008 or visit djreprints.com.

one pg only