P.S. to the NEWS
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THE FEDERAL RESERVE

Vice President Gerald Ford recently endorsed high interest rates at a bankers' meeting at White Sulphur Springs, Virginia. He said that the fight against inflation "requires a restrictive monetary policy that means, among other things, the discipline of high interest rates." The excuse given for this policy is that high interest rates will halt inflation by preventing easy credit. That's like saying that, if everybody goes hungry, food prices will fall.

If the Republicans lose heavily in the Congressional elections this November, as all the polls indicate, it will be less because of Watergate than because of what has happened to our buying power under the Nixon Administration, and the significant part played by the high interest rate policy. The prime interest rate, which is the rate banks charge to their best customers, is now at an all-time high of 10½ percent, with some banks charging 11 percent. Other borrowers pay even higher rates.

High interest rates increase the cost of everything we buy, including homes, food and automobiles. Chances are that, if you buy a home today, high interest rates will about double the cost of your house. Congress would not dare, in an election year, to impose a direct tax on food, clothing or shelter. But high interest rates impose a stiff tax on these necessities of life. A similar tight money policy in 1970 caused massive Republican losses in the election that year.

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Our Founding Fathers gave us a Constitution with specific, enforceable and interlocking checks and balances on the powers of the President, the Congress and the courts. However, there is a fourth branch of government which has no checks and balances: the Federal Reserve System. Many people think it is the most powerful branch of all. It issues our paper money, and it controls interest rates by setting the discount rate, which is the interest rate charged to banks which borrow from the Federal Reserve. The discount rate is now 8 percent, the highest in all our history.

The all-powerful Federal Reserve Board has never been audited and its deliberations are kept secret from the American people.

Now that Congress has broken precedent by subpoenaing confidential White House tapes in order to find out who made the Watergate decisions and why, Congress should take similar action to subpoena those who made the decision to force high interest rates, and ask why.

Was it to prevent a run on the dollar by foreign holders of American dollars who think it is more advantageous to hold marks, francs, pounds, or yen? Or was it to make tight money cause a recession so the Democrats will win in November, just as tight money brought about a Democratic victory in 1970?

The Gerald Ford thesis that high interest rates can halt inflation should be debated, and the timing of the tight money policy to coincide with Congressional elections should be examined. It is long past time for Congress to investigate the Federal Reserve System and its extremely high interest rate policies.

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