P.S. to the NEWS
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USURY LAWS AND PRICES

A recent Federal Reserve Bank publication attacks state usury laws as "burdensome and inequitable" and indicates that they should be repealed.

The purpose of state usury laws is to protect individuals from being charged interest rates in excess of some limit, usually seven to nine percent. They are a needed protection to the public from avaricious money-changers.

Instead of repealing these protective state usury laws, consideration should be given to repealing some of the special privileges enjoyed by the Federal Reserve System itself.

Article I of the U.S. Constitution provides that Congress shall have the power "to coin money [and] regulate the value thereof." In 1913 Congress passed the Federal Reserve Act which gave the privately-owned Federal Reserve System the power to print money and regulate the value thereof.

As originally drafted by Senator Robert Owen and passed by the Senate, the Federal Reserve System would have been required by law to maintain a "stable price level." This clause was stricken before passage. Since the Federal Reserve System was started, our price level has widely fluctuated, to the benefit of speculators and the detriment of everyone else.

Our former Government-issued currency used to be redeemable in gold or silver. Originally, and until a few years ago, all Federal

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Reserve currency bore the legend "redeemable in lawful money of the United States." This clearly warned us that Federal Reserve money is not lawful money. Now, however, the only currency we have is irredeemable Federal Reserve notes.

While refusing to redeem dollars held by Americans, the Federal Reserve dissipated more than $14 billion of our gold reserves, redeeming dollars held by foreigners at less than one-fourth of today's gold prices.

In a belated effort to limit the inflation this caused, the Federal Reserve has approved the highest interest rates since the Civil War. The burden of these exorbitant interest rates has fallen especially hard on homeowners, on farmers, and on the stock markets where capital is raised for industrial producers to create new jobs.

Despite and perhaps because of the Federal Reserve System, our country has suffered unstable prices and financial distress many times since the Federal Reserve was created to prevent this. Trying to fight high prices by raising interest rates would be like using a garden hose to stop flood waters. High interest rates are a cause of high prices because interest charges themselves inflate the cost of everything we buy.

Instead of blaming the farmer or the manufacturer for high prices, we should put the blame where it belongs -- on the System which has printed the irredeemable Federal Reserve Notes which are the only currency U.S. citizens are permitted to use as money.

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