FROM: Phyllis Schlafly

68 FAIRMOUNT, ALTON, ILLINOIS 62002 / (618) 462-5415

RELEASE: SEPTEMBER 25, 1981

HIGH INTEREST RATES HURTING REAGAN

Are the Carter holdovers on the Federal Reserve Board trying to destroy the Reagan Administration with high interest rates? That's the question being asked in our nation's capital.

High interest rates are plunging America into a depression that is eating the heart out of our economy today, and may defeat most Reagan candidates next year. When the postmortems are written on the 1982 elections, pundits will probably then discover that it was all planned that way.

President Carter appointed four out of the seven Governors of the Federal Reserve System, and President Reagan has appointed none. Fed Chairman Paul A. Volcker was appointed by President Carter in 1979 to serve a 14-year term. Volcker is a member of the Trilateral Commission, a non-governmental elitist group of financiers and businessmen.

Carter filled most of the posts of real power in his Administration from that tiny group whose American membership of about 75 men had already been pre-selected by Chase Manhattan Bank President David Rockefeller. Carter Administration Trilateralists included nine Cabinet members and at least a dozen sub-Cabinet officials.

The American people thought they voted for a change in Administration in November 1980. But the Carter Administration -- through the Federal Reserve System's Board of Governors -- is still controlling our money, and that's why its value is evaporating before our very eyes.

The Fed-managed high interest rates are ruining the U.S. economy, throwing people out of work, and preventing Americans from fulfilling their dream of home-ownership.

We are in a bankruptcy epidemic. In the first half of this year, 10,157 businesses failed, a rise of 41 percent over the same period last year. In the last two and a half years, 2,600 automobile dealers have folded. Many others are able to stay in business only because of rebates and artificially-low financing arrangements.

The Federal Home Loan Bank Board has put 363 savings and loan companies on its

(more)

problem list," twice as many as last year. In the Chicago area, some 60 out of 190 savings and loan companies may have to merge in order to shore up their shaky status.

Sky-high 17 percent mortgage interest rates and construction loan rates of 24 percent have strangled new housing. Construction unemployment is 15 percent. The thrift institutions which traditionally furnish mortgage funds have been hard hit by the loss of $70 billion to the popular money-market funds. You can't blame little investors for transferring their savings to a fund that will pay 17+ percent interest.

Many farmers say that 1981 has been their worst year in memory. Farmers are caught between high interest rates and lower crop and livestock prices.

The stock and bond markets have been dropping dramatically. Jitters in investor confidence because of high interest rates are the obvious cause.

The prime rate has been hovering around 20.5 percent. Forecasts that it may go even higher have made the business community very nervous. The prime rate (the interest that banks charge on short-term loans to their best customers) is a crucial indication of what is happening in the money market.

The Fed has fed the Reagan Administration the rationale that high interest rates are needed to slow down inflation. But the alleged cure is worse than the ailment. Furthermore, high interest rates are a major cause of inflation because they add to the price of almost everything we buy.

As the unemployment figures rise, while inflation and interest rates hover at record levels, those who suffer from these policies will be looking for someone to blame. Unfortunately, most people don't know who the Fed Chairman is, much less how he controls the interest rates. The Reagan Administration is already suffering a decline in popular support; the New York Times calls it the "autumn chill." Reagan candidates running in 1982 will end up taking the blame.

President Reagan can't fire the Carter-appointed Volcker; but Reagan could force a change of policy by jaw-boning against the Fed policy of high interest rates. Congress can't fire the Carter holdovers, either; but Congress could investigate the Federal Reserve System and interrogate its governing officials. Such wrong money policies could not endure under the pitiless glare of public exposure and questioning.

(end)