P.S. to **the NEWS**

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THE CLIMBING INTEREST RATES

Led by Citibank and Chase Manhattan of New York, the major U.S. banks recently raised their prime interest rate to 9-1/2 percent. This was the ninth time the banks have raised their interest rates within the last 12 months. Some bankers are predicting that the prime rate will climb even higher in the:. mo11ths«ahead.

Since the prime interest rate was 7 percent in August 1977, these nine interest increases amount to an increase of 35.5 percent over the last year. The prime interest rate is the minimum charge to the banks' biggest and most creditworthy borrowers.

Why should money cost 35.5 percent more to borrow today than it cost a year ago? The dollar is actually worth 10 percent less that it was worth a year ago; that is, it buys 10 percent less goods. If a lender is to be repaid in dollars worth so much less than he lent, then he must demand a high rate of interest to protect himself.

Our Constitution in Artfcle I, Section 8, clauses 5 and 6, gives Congress the power "to coin money [and] regulate the value thereof ... [and] to provide for the punishment of counterfeiting the ... coin of the United States." How does it happen that Congress has nothing to say about the value of our money, and that the money we use is not even issued by the federal government pursuant to Congressional authorization?

Look at the currency in your wallet. It is not issued or regulated by the United States. It states that it is "a Federal Reserve Note." It does not even claim to be a United States note or U.S. currency.

In the Legal Tender Cases, decided in 1871, the Supreme Court upheld the power of Congress to make Treasury notes legal tender for debts. President Lincoln's Treasury Department had issued, pursuant to Congressional authority, about $350 million of United States money, which became known as Greenbacks.

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What made the Lincoln Greenbacks different from Federal Reserve notes was that the U.S. taxpayers did not have to pay interest to any Federal Reserve System for the privilege of using them. Over the hundred years that the Lincoln Greenbacks were in circulation, they saved the U.S. taxpayers many times their own value in debt-service costs that we did not have to pay.

This U.S. Treasury money was quietly withdrawn from circulation within the last decade after serving us well for more than a century. No good explanation was given for this recall.

The weakness of our present Federal Reserve money system is that, unlike strong currencies such as the Swiss franc, German mark and Japanese yen, there is neither gold nor anything else to back up the Federal Reserve dollar. It is not even issued by the federal government. Maybe this is the reason why our government apparently recognizes no legal or moral obligation to maintain the purchasing power of the Federal Reserve dollar.

What can the average citizen do when his Congressman votes for huge deficits and these are paid by printing more Federal Reserve dollars? One suggested solution is to defeat every Congressman who votes for appropriations in excess of federal income or which are not absolutely necessary.

The federal government actually makes a profit on inflation because i nfl ati on pushes Americans into higher tax brackets, and income tax receipts rise faster than the cost of living (or government services}. We sho"'1 give federal employees an incentive to eliminate those deficits by reducing the salary of every employee in the departments responsible for making up the federal budget by the same percentage that federal spending exceeds federal receipts.

If the Swiss, Germans and Japanese can have sound money systems, free from inflation, we can, too. Those countries have only a small fraction of our immense agricultural, mineral, and transportation assets. Let's give all federal elective and appointive offfcfals a personal financial stake in eliminating the inflation-causing deficits.

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