

rate because they must keep 20 percent of their loan on deposit at the bank. Details of this situation are set forth in an article in the *Wall Street Journal* of February 8, 1969.

The Federal Government is one of the first to feel the pinch of this raid by bankers. The *Wall Street Journal* of January 30, 1969, reports that the Nixon administration in its first big Treasury financing plan is faced with the highest interest rate on an issue in more than 100 years. In an exchange of \$14.47 billion of securities maturing on February 15, the Treasury offered holders their choices of a 15-month note with a $6\frac{3}{8}$ -percent coupon, or a 7-year note with a $6\frac{1}{4}$ -percent coupon. This 15-month note slightly discounted will pay investors 6.42 percent—the richest return on Federal securities since 1865. There was an issue in that year on a \$600 million 3-year note which carried a 7.3-percent interest rate.

Banks and institutional investors constitute the groups which are able to take advantage of the high interest rates. Farmers at this time do not have extra funds to invest in Government securities. Banks are keeping on deposit, because of the generosity of the Federal, State, and local governments, \$40 billion on which they pay no interest. They use this money to make loans to those who are outside the banking fraternity. The Federal Government subsidizes the commercial banks by keeping on hand some \$5 to \$6 billion of deposits on which no interest is paid. These funds are called "Tax and Loan Accounts." The greed of bankers can never be satisfied—they are not satisfied even with the highest interest rate in 100 years.

John A. Mayer, chairman of Mellon National Bank & Trust Co., was quoted in the *Wall Street Journal* of February 26, 1969, as saying, "Another increase in bank prime rates is a possibility that shouldn't be ignored." Mayer said he expects Federal Reserve Board authorities to continue to keep the money supply tight for a while. With a continuation of this policy and continued strong loan demand by bank customers, he said, "to put it mildly, interest rates aren't going to go down—and they could go up some more."

The disastrous results of the monetary policies of the Federal Reserve Board and the failure of the Johnson administration to do anything about it, are set forth in an article in the *U.S. News & World Report* of February 17, 1969. This conservative publication apparently is alarmed at the effect that skyrocketing interest rates are having on the housing industry. It published a chart which graphically shows the interest which those purchasing automobiles and other consumer items are paying. In 1960 a total of \$14.7 billion was paid in interest charges by such groups. By 1968 the interest load for these consumers had increased to \$31 billion.

U.S. News reports that mortgage loan rates have reached 9 percent for some homebuyers on the west coast. Many lenders, squeezed for loanable funds, are weeding out many of their customers. Even if a family has the necessary credit standing and security to secure a loan, it is subjected to an intolerable interest burden.

According to the article, "If a family buys a \$40,000 house with a \$30,000 mortgage at 8 percent for 30 years, total interest payments come to over \$49,000. A 7-percent mortgage on the same house means \$7,300 less in interest payments over the term of the mortgage; at 6 percent the homebuyer pays \$14,500 less in interest than he would on an 8-percent loan."