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**ECONOMIC PROBLEMS FACING THE UNITED STATES**

These comments will be limited to one problem area: that of the extortionate interest rates now prevailing in our economy with particular reference to the effect of those rates upon the shelter of the American people.

Prevailing high interest rates are economically indefensible, dangerously inflationary, and destructive to the supply of homes for the American people.

A few facts about past experience will be helpful. In May 1920 the Federal Reserve Board increased its rediscount rate substantially and advised banks to raise their prime rate to 7 percent, which the banks promptly did. The result was a decline in the total cash income from all farm products from \$14,600 million in 1919 to \$8,150 million in 1921. American agriculture was plunged into a state of depression from which it did not recover until the middle of World War II.

During the years 1941-46—war years, it will be remembered—the U.S. Treasury was paying as little as three-eighths of 1 percent interest on short-term borrowings. In 1967 the Treasury was paying more than 5 percent on similar borrowings. What these figures mean is that it cost American taxpayers \$3,750 a year to borrow \$1 million in the 1940's, whereas in 1967 it was costing them more than \$50,000.

Each one-fourth percent increase in the interest rate adds about \$1 billion to the annual interest which the American people must pay on the national public debt.

During the years of the Roosevelt and Truman administrations average interest rates on Government securities were held at about 2½ percent. If this could be done against the tremendous pressures of the most terrible and costly war in history it is obvious that the same policy could be followed under any conceivable circumstances—given the *will* and the policy on the part of the Government and the Federal Reserve to do so.

But this has *not* been done. Today the U.S. Government is paying more than twice the rate of interest on its borrowings that it paid during the 1940's and very early 1950's.

The result is that interest on the national debt is, next to military expenditures, the largest burden the taxpayers must meet in the entire national budget—amounting at present to about \$15 million a year. At the rates prevailing in 1951 that figure would be less than half what it is today.

In August 1967 Chairman Patman reported to the Congress that the American people had paid \$43 billion in excess interest charges on the national debt alone since 1951.