

Out of a tax payment of \$1,000 paid by a married man with two children and a \$10,000 income, no less than \$120 goes to pay needlessly high interest on the public debt.

The Federal Reserve banks can exercise an almost limitless money-creating power—a power which should be a function of national sovereignty. Therefore, *if* the Federal Reserve Board wishes to—or if the Government of the people is able to persuade it to—it can support Government securities at a decently low and economically justified rate of interest. This is substantially what was done during the Roosevelt and Truman administrations.

The reason it is so important for the rate on Government securities to be kept low is not far to seek. For the rate of interest on Government notes and bonds is the bellwether of all other rates. Investors generally will not buy other bond issues unless their rate of return is somewhat higher than that on Governments, since Government securities are generally regarded as the most secure investments of all. And if the rate of return on bonds goes up, then companies seeking to sell common stocks must try to show a rate of return on those stocks which is higher than the rate on bonds. For, again common stock equity investments are in general more risky than investments in preferred indebtedness like bonds. Hence there exists an insistent pressure upon every corporation which is interested in the market for its securities to increase the prices of its products in order, in turn, to increase its profit margins and thus make possible the payment of higher and higher dividends.

And yet the excuse that is constantly given for a high interest policy is that it is “necessary to curb inflation.” We pay further respects to this deceptive myth later on.

The problem is not that interest rates *could* not be lowered if those who control our monetary policies wanted to do so. The problem is that the Federal Reserve Board, which is able to dictate monetary policy, deliberately decided—albeit by a 4-to-3 vote—in December 1965 to embark on a high interest policy. That policy has been in effect ever since and in increasing tempo. And the Government of the people of the United States has not acted to reverse that policy. Indeed, since the power to create the money of this Nation has been permitted by Congress to be taken over by the banking system generally and by the Federal Reserve specifically it is questionable whether under present circumstances the Government could, even if it were to decide to do so, compel the money powers against their will to reverse their escalating interest policy.

Congressman Patman’s bill, H.R. 11, would go a long way toward correcting this situation and certainly, at the very least, that piece of legislation should be enacted by the Congress.

For the extortionate interest rates now afflicting our country are endangering the economic health of our Nation and preventing constructive progress in many important directions.

WE LIVE IN A CREDIT ECONOMY

We are living, as everyone knows, in a credit economy. Almost every State, city, town and school district in the Nation, most American families, practically all American farmers and the great majority of American business enterprises are in debt up to their ears. The rate