

of interest therefore may well be the most critical factor in our entire economic life.

It is probable that a majority of American families are living beyond their present means. And no wonder! For they are bombarded by every advertising medium there is with the most clever blandishments to buy now, fly now, do everything else now—and pay later.

In 1966, the first full year after the Federal Reserve Board raised its rediscount rate by 12½ percent, \$125 billion was paid in interest on debts, public and private. Today that figure would be much higher.

In the 20-year period, 1946-65, consumer debt rose tenfold, from \$8 billion to \$80 billion. And farmers' debt trebled in the 15 years from 1950 to 1965.

It is reliably estimated that between 15 percent and 20 percent of all the disposable income of American families is today obligated for payments on installment and mortgage debt.

And probably 30 percent to 40 percent of the total incomes of the poorer families are so encumbered. It takes no great intelligence to see that the higher the interest rate, the less the likelihood that these families will be able to pay off their debts.

Under such circumstances the suggestion that unemployment be deliberately increased in order to control inflation is not only unbelievably cruel, but economically extremely dangerous. For with the mountain of indebtedness that now hangs over most families even a minor downturn in the economy could trigger such a succession of defaults as would plunge the Nation into a major depression.

The Government therefore cannot conceivably allow this to happen. Therefore the mounting burden of debt being imposed upon the people, aggravated by the spiraling of interest rates, becomes a powerful, if not an imperative influence necessitating ever broader governmental action to forestall the possibly disastrous results of its misguided high-interest policy. Some of the very people who decry governmental interference in the economy are the ones who are making such interference necessary by their extortionate inflation of the interest rates.

And what a job has been done. Beginning with the action of four-sevenths of the Federal Reserve Board in December 1965 we have witnessed—and been victims of—an almost continuous rise in the rate of interest. The rediscount rate of the Federal Reserve now stands at an unprecedented 5½ percent, the prime rate for bank loans is 7 percent and above—again almost unprecedented—and the rate on FHA-insured mortgages and veterans home loan mortgages has just been increased to an effective 8 percent, made up of a basic 7½-percent rate plus one-half-percent insurance fee. To the devastating effects of 8-percent interest on the hopes of the American people to have decent homes and decent shelter over their heads we shall return later on.

In State after State moneylenders are bringing pressure to lift the ceiling in the anti-usury laws. In Illinois legislation is pending at this moment which would raise that ceiling to an extortionate 9 percent. And this is the proposed rate not for consumer loans, short-term credit or revolving credit, but for prime lending by banks.

And the end is not in sight. Increasing interest rates is an unjust method of trying to curb inflation.