All this is another and very powerful reason why raising interest rates adds materially to the disadvantage of all competitive and smaller businesses and encourage on the other hand, the monopolistic tendencies already strong in our economy.

Why then, would any nation in its right mind pursue such a mad high and escalating interest rate policy as our Nation is now doing?

Certainly not because there is the slightest economic justification for it. The banks, the money lending institutions generally, are making such large profits—and have been doing so for many years—that their stock is so valuable that it is seldom sold and almost never on the open market. Indeed it has been repeatedly found that many businesses make more money out of their "financing" of sales than they do out of the sale of the merchandise itself. A basic reason why Congress finally passed, after 8 years of struggle, the "truth-in-lending" law was because it has become common knowledge that the extension of credit and the so-called "financing" of sales is the most oppressive, extortionate, racket ridden but fabulously profitable business in our entire economy.

Nor can it be honestly argued that high interest rates are the natural result of the tired old law of supply and demand—a so-called law now observed far more in the breach than in the observance. In the case of money such an argument is almost ridiculous. For under our fractional reserve system the supply of money is virtually a function of the demand for it. The banking system creates the money of our Nation by the costless method of writing up demand deposits on its banks and loaning them into circulation to borrowers. Can anyone find a banker or moneylender who is today refusing to make a 7- or 8-percent loan to a reasonably good risk borrower? Probably not. But when those loans are made—as a result of the demand for money—the supply of money automatically is increased to meet the demand.

So we come back to the threadbare and by now abundantly discredited excuse that high interest rates are necessary in order to curb inflation.

It is frequently lamented that in the past 25 years the dollar has lost 50 percent of its buying power, because of what is called inflation. Well, in that same period, interest rates have more than doubled. In fact they have more than doubled in just the last 16 years. If raising interest rates were an effective method of curbing inflation these two events could not possibly have happened simultaneously.

When the Federal Reserve Board raised its rediscount rate in December 1965 I wrote in my biweekly column "The People's Business" the prediction that it would not be long before we would be paying 10 percent more for houses, and 10 percent more for almost everything else we, the people had to buy. I received some criticism for that statement, including that of one of the Federal Reserve banks.

But my statement was the soul of conservatism. For the fact is that prices have risen considerably more than 10 percent since the high interest policy was launched in December 1965.

My argument then was—and it is today—that the cost of money is, in our present credit economy, a factor in the cost of production of every commodity or service in the market, except those produced by the internally financed giants who need not borrow. Therefore, the