

# Prime rate acts as inflation weather vane

By JEFF BAKER  
Of the Emerald

Loan rates charged by banks, businesses and the federal government may not be of prime interest to consumers, but they determine credit levels across the country.

The prime interest rate — the rate banks charge their best commercial customers — is used as an economic indicator by both financiers and market analysts.

"It's a sensitive reflection of where interest rates are overall," says Charles Smith, financial loan officer for Citizens Bank of Oregon. "Other interest rates are adjusted to the prime."

The rate banks charge for other loans are generally less than the prime — from 16 to 17 percent for personal and mortgage loans to 19.5 percent for the prime.

University economics Prof. Barry Siegal says banks often charge local businesses lower rates to keep them alive.

"Banks can't afford to keep lending at a lower rate since they borrow their money at a cost," Siegel adds.

Siegel says the prime is a "reflection of anticipation of inflation, which is why we see it increasing." The real interest rate "without inflationary prospects" would be about 3 percent, Siegel predicts.

State usury laws previously limited the rates banks could charge for most non-commercial loans to 15 percent, Smith says. This "arbitrary restriction" was lifted last summer when "most-favored lender" loans were instituted.

These allow banks and savings-and-loans to charge roughly the same rates finance companies do, Smith says. This allows the market to set the interest rate, as Siegel emphasizes it should.

The importance of the prime as an economic indicator lies in the way it measures the cost of credit. The consumer price index — the most closely watched and widely quoted economic statistic — measures the cost of goods and services.

The two are connected, says Smith, characterizing the prime as a "coincident" indicator — one that goes along with economic trends rather than predicting or following them.

One consequence of a high prime rate is that it makes holding inventories more costly, says state labor economist Margaret Simeral.

"This increases production costs and makes for a slower economic recovery," Simeral says.

Mortgage rates are more important to Lane County's housing-dominated economy than the prime rate, Simeral says. She calls the prime a "short-term corporate rate" that is generally higher than prevailing mortgage rates.

# Bill would give police wiretapping leeway

By GREG WASSON  
Of the Emerald

SALEM — Fear of electronic recording already has found expression in Oregon law through a statute prohibiting recorded face-to-face conversations unless all participants know the tape is being made.

But a new proposal would create an exception for police officers.

A small allowance already is made for police when the crime involves drugs. House Bill 2432, if passed, would expand that allowance to permit police to

## Sports weekly: Reject Jones' dome donation

Sports Illustrated suggests in its latest issue that the University tell lumberman Aaron Jones to keep the \$250,000 he's pledged to the University athletic department to help build a new basketball pavilion.

Jones, through his attorney Lewis Hoffman, has been reported as saying he will not donate \$250,000 toward the basketball facility if the University doesn't dismantle its Environmental Law Clinic.

The clinic has received criticism from Jones — and more recently the Evergreen Forest Products, Inc. — for its involvement in an Idaho suit restricting logging in Idaho.

Sports Illustrated, in its Feb. 9 "Scorecard" column, applauded the University's stance that "it has no intention of closing the clinic." But the column suggests the University take one more step in the matter to discourage boosters from wielding undue influence over a university — or its athletic department.

"It ought to go even further and directly repudiate Jones' ultimatum — and his now-tainted gift," says the column. "No school needs a gym that badly."



secretly record conversations in all criminal and motor-vehicle offenses. A police lobbyist believes the change is needed.

"If police officers are not permitted to utilize the most sophisticated techniques to apprehend those who are violating the law," says Jack Kane, lobbyist for the Oregon Council of

Police Associations, "we won't be able to compete with them."

Kane's feeling is echoed by a representative from the attorney general's office, who says that without the change, it will remain virtually impossible to arrest the "kingpins" of organized crime.

But at least two members of

the House Judiciary Committee have expressed concern that the bill will allow police to run roughshod over suspects. One member, Rep. Joyce Cohen, D-Portland, is dismayed because the bill does not require approval before an individual police officer is wired for sound.

"The bill should allow for the OK of a judge or superior — someone who knows who's taping whom, and when," she says. "I'm concerned that this bill would allow any police officer to go on a fishing trip until they find somebody who will incriminate himself."

Rep. Dick Springer, D-Portland, voices another possible problem: The amendment, he says, does not require officers to have probable cause of a crime before wiring up.

"To me, that opens up a situation where the officer can just be wired without necessarily knowing that something is going on," he says.

"People may be breaking the law and there may be evidence inside a house that they are doing that, but the police still have to obtain a search warrant."

Springer also questions whether secret recording without judicial approval may violate constitutional limits on searches and seizures.

The committee will schedule further hearings on the bill.

## Black leader decries racism

It's time for blacks everywhere to organize themselves — militarily if necessary — against the rising tide of racism in America, said Donald Brown, president of the Black Student Union.

Speaking to 20 people in the EMU Tuesday night, Brown cited the murders of more than a dozen black children in Atlanta and the hearts of blacks getting cut out in Buffalo, N.Y., as examples of racist violence in America.

Brown said many blacks are "willing to work it (race problems) all out" peacefully but aren't going to practice non-violence while they're gunned down by racists. He said he adheres to the Black Panther philosophy of arming oneself against violence.

A revolution in America is inevitable, Brown said.

"Miami was just a preview of what's to come."

White liberals might not fit into a black revolution because they aren't willing to die for the black cause and will "change sides when the going gets rough," Brown said.

Many people — including

some blacks — believe black Americans aren't discriminated against as much as a few decades ago, but discrimination is more subtle and sophisticated than in the past, he said.

Eugene isn't free of racial prejudice either, Brown said. He said landlords in the city have refused to rent to him, and he has frequently been pulled over by policemen for just "acting black" — bobbing his head to the music of his car radio.

Only one black attended Brown's talk. Brown said the lack of blacks at the speech was a "definite problem" and that he would rather be talking to a black crowd.

Apathy is the reason most blacks didn't come, Brown explained. Most of the 175 blacks attending the University are athletes who only care about receiving professional sports contracts after school, he said.

However, Brown said many blacks were probably afraid to attend the meeting because the CIA and FBI keep close tabs on black activities.

"We're probably being monitored right now," he said.

Brown's address was sponsored by the Muslim Student Union, Black Student Union and other campus groups as part of the "Week of the Oppressed."

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