

Reason for Higher Interest Rates Blamed On Business Boom, Federal Prosperity

Washington (UPI) — It's getting pretty expensive these days to borrow money, finance a new car, repay a mortgage.

The big corporations, who usually can borrow on the most favorable terms, are paying 5 per cent for bank loans — a 29-year high.

Uncle Sam, the most credit-worthy borrower in the country (and the biggest), is paying nearly as much for short-term money as lenders demanded during the panicky days of early 1933 when banks were failing and production was crippled.

But business conditions in the autumn of 1959 are clearly much healthier than in 1933. Why, then, are interest rates so high and getting higher?

Answer Not Easy

The answer is not easy. You could blame the government or prosperity. The fact is that both the business boom of recent months and government policy have contributed to the interest rate upturn.

Here's what happened: Incomes, spending and borrowing have all been moving higher and higher. Businessmen have gradually been stepping up their plant construction and expansion plans. Consumers, their confidence restored by the sustained recovery after the 1957-58 recession, have been earning, spending and borrowing more. Total consumer credit outstanding is at an all-time high.

So is the national debt. With many billions of dollars of debt maturing each year and having to be refinanced, the Federal government is the nation's biggest single borrower. Prospects for sizable re-

duction of the national debt now about \$290 billion — don't look promising for the near future.

Outstripping Credit
The sum of it is that borrowing is outstripping credit. The demand for money is growing faster than the supply. As a result, interest rates have gone up. That's where the government — the Federal Reserve Board, to be precise — comes in.

The board knows that credit is getting tighter and that interest costs are climbing. It could make more money available to the banks for loans than it has so far.

It chooses not to because it feels that keeping borrowing and spending from expanding too quickly is the most effective way it can fight inflation.

When too many dollars chase too few goods, the Federal Reserve and many other economists feel, and the economy is producing pretty close to if not at capacity, that higher prices are the inevitable result.

Growth Permitted
So, the "Fed" has permitted growth in the supply of credit to lag behind demands to borrow. By keeping the lid on the boom, the seven Reserve Board governors feel they can keep it from exploding into a bust.

When scarce, money, like coffee or cars — remember World War II? — commands a higher price. Interest rates are the price of borrowing and using someone else's money.

When there's not enough credit to meet all borrowers' demands, then interest rates swing up. In a sense they help ration the limited supply of credit by forcing out some potential borrowers.

But that's not what the Reserve Board is counting on.

Its basic argument is that you can't borrow the money if it just isn't there. If you can't borrow it you can't spend it. And if you don't spend it you don't add to the pressure on prices.

That's the "Fed's" case, in a nutshell. It may look convincing, but it's come in for a lot of criticism, especially from Democrats in Congress. The hottest charge is that the "Fed" is choking off economic growth when it's essen-

tial to prosperity, full employment and cold war supremacy. Some say the board's tight-money policy caused the recession.

Monopoly Blamed
Another criticism is that it's not too much prosperity that forces prices up; it's monopoly. This point is made by people who blame inflation on price and wage policies of big corporations and unions that resemble monopolists more

than bargainers in a freely competitive market. Yielding the most political mileage of all is the complaint that the tight money policy helps bankers (lenders), hurts consumers and small businessmen and has little effect on big firms.

The board has answers to some of these criticisms and of course the arguments go round and round. But for the time being, the advocates of tight money as the cure for inflation appear to be firmly in command.

WANTS SPITFIRE
London — An unidentified person today advertised in the personal column of the London Times for a "Spitfire or Hurricane fighter plane, condition immaterial."

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LOOK MOM, CURLS GONE—Paul and Peter Theison, two-year-old sons of Mr. and Mrs. Phillip Theison, Minneapolis, had their first experience with the barber and its certainly changed their looks. In the top picture, Peter, left, and Paul look a little like girls before the curly locks are trimmed. In the bottom picture, Peter, left, and Paul take on the look of boys. —(UPI Telephoto)

CENTRAL POINT Chapter Buys Tractor

By DORIS HUGHES

Central Point—Friday the Crater Chapter Future Farmers of America, Crater High school, received its new tractor. LeRoy Chastain, tractor foreman, took delivery of new tractor from the Deaver Tractor and Implement company.

Committee reports were given Thursday, Sept. 24, at a meeting of the Crater FFA chapter in the Crater ag department. Dennis Samples gave a report on a television program which is scheduled for the near future. The program will consist of the State FFA 1959 parliamentary championship team putting on an exhibition of parliamentary procedure. Members are John Caster, Don Denning, Don Ryan, Pete Melsted, Nate Barry and Dave Foote.

Dave Redmond discussed the public programs for the coming week. The Crater chapter has adopted an activities chart for this year and the members elected a committee to govern decisions for the coming year. They are Don Denning, chairman; and committee members, Dave Gregory, Gary Mead and Tod Caster.

Don Ryan and John Caster were named delegates to the National FFA convention at Kansas City. A motion to amend the constitution of the chapter by limiting the trip to Kansas City to seniors only was made and a discussion followed. The motion was tabled. Sixty members attended the meeting.

The Women's Relief Corps, Harrison Post 27, met at the Legion hall for a potluck dinner for the September meeting. September was birthday month with Mrs. Maggie Dean being honored guest. Mrs. John Novak furnished the birthday cake. The charter was draped in memory of Mrs. Lloyd Dodge, national department president of the Women's Relief Corps. Plans were made for the plant and rummage sale to be held Nov. 1. On the committee for this are Mrs. Phil Griggs, chairman; Mrs. Frank Smith, co-chairman and Mrs. Al Hermiston and Mrs. John Novak.

The next meeting will be Oct. 20 at the Legion hall. If cold weather sets in, the meeting will be held at the home of Mrs. E. C. Faber.

A garden tour will be the program for the Central Point Garden club Oct. 7, according to Mrs. Robert Schmitt, publicity chairman. The meeting will begin at 10:15 a.m. with a tour of Mrs. Claude Thompson's chrysanthemum garden. The members are to take sack lunches and after leaving the Thompson place, will tour Crater Rock museum on Scenic ave. They will eat lunch at the museum and then continue on to the home of Mrs. Joe Huffine for dessert and a business meeting.

Guests at the home of Mr. and Mrs. Leonard Lemons

have been Mr. and Mrs. Levi Lemons of Crossett, Ark. and Mr. and Mrs. Sam Tomlin of Oakridge, Ore. Mrs. Tomlin is a sister to the two Lemons men and this is the first time in 34 years the three have been together. Mrs. Tomlin had not seen her brother, Levi Lemons, for 23 years. The families have been taking trips to Crater lake, the redwoods and to other scenic spots in the area.

A group of friends surprised Mrs. Emma Skyrman last Monday by gathering at her home for a potluck dinner. Surprising her with the dinner were Mrs. Jennie Stalemen, Mrs. Mildred Palen, Mrs. Madelyn Muller, and Mrs. Maxine Johnson.

Mr. and Mrs. Jack Hendrickson of Gold Hill are the parents of a son born Friday, Sept. 18. He weighed 8½ pounds, and has been named Michael Dean. His grandparents are Mr. and Mrs. D. R. Hendrickson of Central Point and Mr. and Mrs. John Tilley of Gold Hill.

Guests recently at the home of Mr. and Mrs. W. J. Dolan were Mr. and Mrs. Billy Dolan of Lakeview, Mrs. George Schadler of Lake City, Calif., and Mr. and Mrs. Kesner Toney of Fort Bidwell, Calif.

Frank Bruce returned last week from a successful hunting trip near Keno. He had bagged his deer with a bow and arrow.

Robert Bruce, son of Mr. and Mrs. Frank Bruce, returned last Saturday from a trip to Pendleton where he attended the roundup. He received the trip as a prize in a publication subscription contest. He spent some time sight seeing in Portland and Eugene. He reported seeing Benny Reynolds, the cowboy who recently appeared on television.

Try To Intercept Discoverer V Fails

Washington (UPI) — The Air Force has disclosed it tried unsuccessfully to intercept the Discoverer V satellite with a ballistic missile launched from a supersonic B58 jet bomber a week ago.

The missile failed to send back any radio information and the Air Force said "test objectives were not accomplished." It was launched over the Gulf Coast test range from Elgin Air Force Base, Fla.

Discoverer V was put into north-south orbit Aug. 13 and has a minimum altitude of 136 miles and maximum of 450 miles. The Air Force did not say how close it wanted to come to the satellite or whether the aim was to hit it.

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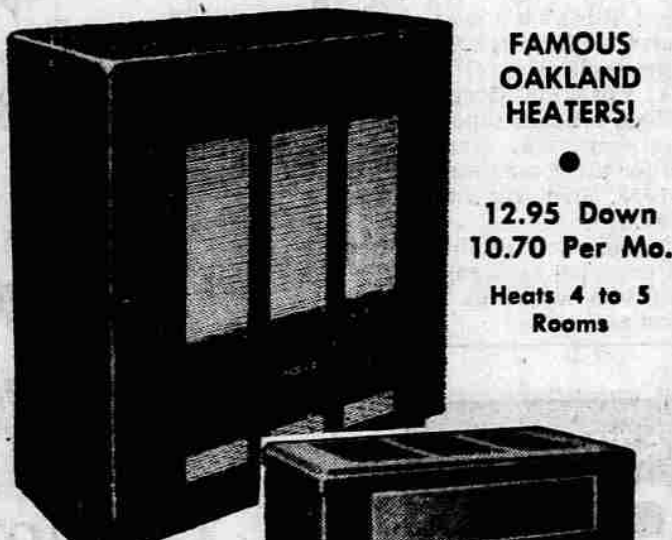
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| Roof Brush..... | 1.33 |
| Gasket Kit (Plumbing)..... | 57c |
| Screw Assortment..... | 1.18 |
| Electric Heater, 1650 Wt..... | 13.88 |
| Brass Wood Basket..... | 6.88 |
| Fireplace Screen & Tools..... | 16.88 |
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| Cosco Cord Table..... | 7.88 |
| Galv. Mop Pail..... | 2.77 |
| Garbage Can, 30 Gal..... | 4.44 |
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| Alum. Perculator..... | 1.48 |
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| Gun Case..... | 3.88 |
| Eveready Flashlite..... | 88c |
| Compass..... | 96c |
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