

How to Beat High Interest: Pay Cash

THERE'S one way you can get around high interest rates charged by lending institutions. Save your money and pay cash with the interest.

You might not be able to get as high a rate as you would be charged, but it certainly is a lot better to have it coming in than going out. By compounding the interest you can accumulate money to pay cash in much less time than would be needed to pay off a loan, with interest added. The prime rate hit 18.5 percent last week.

Instead of paying 18 to 22 percent, you may earn 12 to 15 percent. This could make a difference of as much as one-third in the total outlay for a house, car or merchandise on revolving charge accounts.

Of course, this will not beat inflation or taxes. The present rate of inflation is estimated to be around 13 percent and every month you must pay more for the things you have to buy.

A recent calculation shows that a person with a salary of \$15,000 per year needs an increase of \$1,800

just to keep up with inflation. However, if he gets that raise in pay, federal taxes will take a bite of \$375 out of it, so he actually needs \$2,190 to stay even.

It is no secret that inflation has been forcing people into higher tax brackets. According to an Associated Press story, the tax index went up 65 percent between 1975 and 1979, more than double the rise in a comparison called "the price deflator index."

The reason nobody has been able to stop inflation is that obvious causes have not been remedied. They are well known, but those in position to act seem to lack courage to undertake them.

Published lists of "inflation remedies" usually include limits on growth of federal spending, elimination of waste and needless programs, tax relief, stopping deficit spending by government, curbing federal regulations that force prices to rise, adjusting or repealing minimum-wage laws, and cutting down on "printing press money."

Richard Leftwich, regents profes-

sor of economics at Oklahoma State University, recently observed that "politicians will continue to use federal expenditures to buy votes as long as they are unrestrained." He expressed little hope for stabilizing the economy without putting restraints on political leaders.

Vote buying with federal funds is done largely through what is called "income transfer programs." This term refers to money collected as taxes and distributed in the form of welfare, Social Security, food stamps, child nutrition and numerous other programs. Funds involved in these income transfers account for nearly half of all federal outlays and are still growing.

Surveys have shown repeatedly that people hold government most responsible for inflation; not business or labor. But as is apparent in Great Britain, they tend to hold political officials responsible if cuts are made in their favorite benefit programs no matter how badly the reductions might be needed.

Federal beneficiaries are close to a majority in the U.S.A.