

Confused by High Interest? No Wonder

THIS column might not help you to understand the reasons for higher interest rates but it could encourage you by creating a feeling that many experts may be somewhat uncertain, too.

The following quotations have been selected from newspaper and magazine articles published since the latest spiral began.

Paul A. Volcker, chairman of the Federal Reserve Board, stated: "The likelihood of a squeeze is apparent. The essential purpose, of course, is to squeeze out inflation, not growth."

G. William Miller, his predecessor, observed: "The uncertainty of future economic policy of the new administration is affecting interest rates."

Because fluctuations could occur, Federal Reserve Board Governor Henry Wallich warned: "Under such circumstances, it may be risky to become irrevocably committed to a numerical set of targets."

One writer noted that higher interest rates mean the government must pay more in the nation's mon-

ey markets to finance the mounting national debt. A Readers Digest article suggests: "Don't overwithhold on your income taxes... Why let the government have money that could be working for you?"

An editorial in the Wall Street Journal offered this cheering analysis: "Even at 21 percent, credit for many borrowers is not really expensive, after taxes. Economist Lawrence Kudlow at Bear Stearns estimates that after deducting interest costs, a business borrower who is paying taxes at a 46 percent rate ends up with his 21 percent money costing him only 11.3 percent. If you figure inflation is higher than that, he is getting it free."

A philosophical attitude was expressed by Donald T. Regan, nominee for secretary of the treasury: "Tight money is the price we have to pay for the inflation this country finds itself in."

In Philadelphia, organized crime loan sharks, it seems, have been gouging borrowers for as much as 180 percent interest. A Temple University expert on the subject said: "Any time there's a credit crunch,

you're going to drive more people to the (loan) sharks."

James C. Stewart, chairman of a big cement company in Texas, signed a page ad that was published in many newspapers. It declared: "The interest policy of the Federal Reserve System is driving the economy of the United States into self-destruction." Stewart encouraged people to express their feelings to Federal Reserve Chairman Volcker. Many did, including a bunch of southwestern Oklahoma farmers.

Some bankers think interest rates may go higher. A spokesman for Morgan Guaranty Trust Co., the nation's fifth largest bank, said the prime rate is "simply a rate based on our management's judgement of a proper rate, given our cost of funds."

"You may not believe this," said Willard C. Butcher, president of Chase Manhattan Bank, in a recent speech. "but we bankers don't like high interest rates any more than anyone else does."

Mr. Butcher is right. A lot of people may not believe that.