

For Immediate Release

M*E*M*O*R*A*N*D*U*M

Date: 12th October 2010

Subj: Issue of the Week Number 4 "Fed Must Raise Rates"

From: Ted Ankrum for Congress 2010

To: Media Outlets, open use

Fed Must Raise Rates : by Ted Ankrum

The Federal Reserve has been holding interest rates down to practically zero for inter bank loans, which then depresses short term rates for everyone else. The reason given is to encourage large companies to invest and create jobs. A side effect is to hold rates down for regular depositors. My wife and I just rolled over an IRA bank CD to one paying ½% interest. For people living on supplemental savings, as well as Social Security, this is a disaster. It is penalizing those of us that did what we were supposed to do and save, while rewarding all sorts of risky behavior. This might be worth it if the large companies were actually investing and making new jobs, but they aren't.

The New York Times of October 4 reports that large companies are selling huge amounts of bonds at interest rates as low as 1%, but they are not reinvesting that money into expanding capacity and increasing jobs. Large corporations are now sitting on a combined \$1.6 trillion in cash, which is 6% of their total assets. Microsoft said it was buying back shares with the proceeds of a bond sale paying 0.875% interest. Conditions have become so good that some companies are borrowing money they will not have to repay until the next century. In August, the railroad Norfolk Southern Corporation borrowed \$250 million in 100 year bonds at an annual rate of 5.95% interest. The large companies are sitting on this cash, rather than spending it on job-creating expansion. Smaller companies continue to have trouble borrowing because most of the new financing is going to larger corporations.

Meanwhile, the Fed's low rates have hurt many ordinary Americans, especially retirees whose incomes from savings have fallen substantially. These low rates are another tax on retirees incomes given to support large corporations that are not doing what they were supposed to do with their low rates. It's time for the Fed to discard this low interest rate policy and start worrying about ordinary Americans. This is just another, hidden, bailout of the large banks and corporations at ordinary taxpayer's expense.