

The National Outlook How Serious Is The Interest Rate Ceiling?

By RALPH ROBEY

How much of a problem does the United States Government face as a result of the failure of Congress to lift, or remove, the 4 1/4 percent ceiling on its obligations of five or more years' maturity? One answer is that the problem is serious enough to cause consideration of calling a special session of the Congress. But there is more to it than that.

When Secretary of the Treasury Anderson originally testified before the House Ways and Means Committee, he pointed out that since March 1942 there has been legal authority for offering bonds at a discount. That is the Treasury legally can offer obligations with a 4 1/4 percent coupon at whatever price is necessary in order to meet current market interest rates. However, according to the Sec-

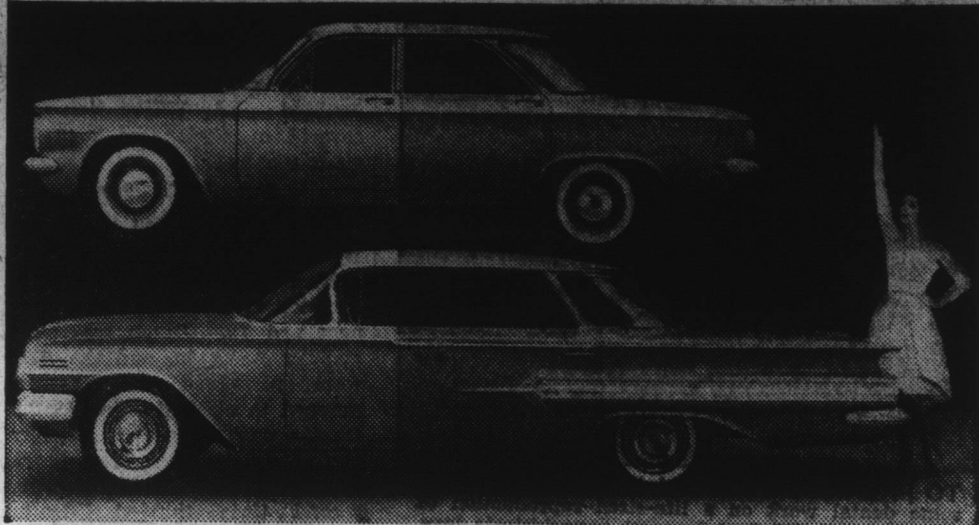
retary, the Treasury has not thought it appropriate to get around the ceiling in this manner.

Time For Re-appraisal?
Is the Treasury correct in taking this attitude or is it being a bit stiff-necked? What would be the effect of the United States offering obligations of more than five years' maturity at a discount? Finally, should the ceiling be circumvented in this manner, or would it be better to call back the Congress and try again to get the 4 1/4 percent limit lifted?

As to the first of these questions, the Treasury was not merely being stubborn in its initial decision not to offer bonds at a discount. It was the financially honorable course to ask for a removal of the ceiling. And at the time there was every reason to assume that this request would be granted. With the advantage of hind-sight it is easy to conclude that it would have been better not to be so determined in opposition to offering bonds at a discount, but it is too late to change the earlier action.

As to the effect of offering United States obligations at a discount, the answer is that some of the opponents of higher interest rates might raise the question of whether such action is not contrary to the intent of

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the Congress. If that contention were upheld, the Treasury would be in a real mess. If this argument was not made, one could feel sure that there would have been no real effect of such a discount offering. Canada a short time ago offered bonds of less than two years' maturity at 94.65. These were 3 percent obligations and at this price they give a yield of 6.61 percent. This is not taken as evidence that Canada is on the verge of a financial crisis;

and the same would have been true in this country, at least it would have been before the Treasury announced it would not circumvent the veiling in this way.

Rates Lucrative
Whether a special session of the Congress should be called is fairly easy to answer. If it were called and the ceiling was removed, it is unthinkable that a long term bond would be issued at present rates. Within the next, say, ten years we shall see lower interest rates, and no one as responsible as Secretary Anderson would consider obligating the United States Government to pay 5 percent or higher for a long period into the future.

Having lost the initial attempt to get the ceiling removed, and having publicly announced that it would not offer bonds at a discount, the Treasury has no real choice but to continue to rely on obligations of less than five years' maturity, upon which there is no ceiling.

Miss Inez Felton Dies After Brief Illness

Miss Inez Felton died Saturday morning at 10:45 o'clock in Chowan Hospital after an illness of only a week. She was a native of Colerain but lived in Edenton about 30 years. She

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Business and Professional Women's Club and the Edenton Baptist Church, where she was a member of the Ola Lea Circle of the Missionary Society.

Surviving are two sisters, Mrs. Lyn Byrum and Mrs. G. W. Barker, both of Edenton.

Funeral services were held at the Baptist Church Monday morning at 11 o'clock. The pastor, the Rev. R. N. Carroll, officiated and burial was in Beaver Hill Cemetery.

Pallbearers were West Leary, J. H. Conger, Sr., West Byrum, Jr., Shirley Barke, Billy Holloman and Winrich Holloman.

As to people saying a few idle words about us, we must not mind that any more than the old church steeple minds the rooks cawing about it.

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