

The Washington Times

January 3, 1996

The Times wants governments, not a free market, to set interest rates

Your Dec. 21 editorial "The 0.25 percent appetizer" had a surprisingly anti-free-market tone to it. Implicit in its analysis of the Fed's recent cut in the federal funds rate — the interest rate banks pay each other for overnight loans — is the notion that the Fed, not the financial markets, should set short-term interest rates. Banks set interest rates on the loans they make to the general public — why can't they set the interest rate on loans they make to each other, without "guidance" from the Fed's Federal Open Market Committee (FOMC)?

The collapse of the communist states and the withering of socialism

taught that central planning does not work as well as free and competitive markets, particularly in setting prices. The industrial countries, too, have been abandoning their versions of central planning as they have deregulated vast sectors of their economies. Somehow, though, the need to deregulate has not fully swept the financial markets. Even champions of free markets, such as The Washington Times, seem to overlook the fact that FOMC action in cutting the federal funds rate constitutes a governmental effort to fix prices.

There is absolutely no need for government bureaucrats, which

FOMC members are, to engage in fixing the price of credit. Surely the markets are capable of making that determination. To be consistent as an advocate of free markets, The Times should favor the markets' setting interest rates without any Fed "guidance" or intervention.

America's financial markets do not need central planners, which central bankers are.

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— *The Editor*