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To Janet Yellin - Chairman
Federal Reserve Board
20th Street and Constitution Avenue, N.W.
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A rise in interest rates will undermine economic recovery and increase the cost of living, leading to layoffs. The Fed's very low interest rate policy has reduced the growth of public and private debts, and should be continued indefinitely

Dear Janet Yellin;

In Ben Bernanke's latest book, "**It Takes Courage to Act**" and in reference to his colleagues at the Federal Reserve, he states:

"When the economic well-being of their nation demanded a strong and creative response, they mustered the moral courage to do what was necessary, often in the face of bitter criticism and condemnation."

In 2008, AIG and Wall St Banks got their bailout from the Federal Reserve. The result is that the stock market has recovered nicely. However, millions of homeowners have seen their life savings wiped out by the deflation in the value of real estate that followed the freeze in the credit markets in 2008. The amount of loss in equity of real estate value is in the trillions of dollars. Over 7 millions home-owners have mortgages that are still under water and an even unknown greater number have lost all equity in their homes and bowering on the equity in their mortgages has all but stopped. The news that the unemployment rate has gone down to 5% is encouraging but in no way justifies an increase in interest rates at this time.

First, an increase in the Federal Funds and discount rate borrowed to banks and credit unions by the Federal Reserve will be passed directly on to borrowers. A majority of mortgages that are adjusted annually will go up and the increase in cost will be passed on to both homeowners and renters in the form of higher mortgage rates and higher rents. With most jobs at minimum wage levels, where is the middle class and the poor get the money to pay these higher bills? They will pay these higher interest rates, mortgages and rents by spending less on consumer goods.

Less consumer spending will mean fewer products sold, thus reducing the demand for manufactured goods. This in turn will mean layoffs in the manufacturing industry. This morning's headline in the Journal Sentinel that announced stable unemployment numbers at 5% also stated:

"Manufacturing employment posted a year-over-year decline in October, according to numbers from the Metropolitan Milwaukee Association of commerce."

If the decline in manufacturing continues, then an increase in unemployment in manufacturing jobs can be expected. I don't know of one person who has credit cards, student debt, and auto loans, home mortgages or medical bills who would benefit from a rise in interest rates. An increase in the Federal Discount rate will reduce disposable money for consumers and decrease economic activity overall.

Reserve requirements: A small increase in the reserve requirements of the banks will reduce available credit and have a negligible effect on both short and long-term interest rates, and a small increase in reserve requirements will increase the solvency of the banks. However, having said the foregoing, the problem overall with the economy is deflation, not inflation.

Who benefits from an increase in interest rates?
Answer –Wall St (Big Banks, Hedge funds managers, loans, millionaires and billionaires)

Who loses from an increase in interest rates?
Answer - Main St (the working class, students, small businesses and farmers).

Runaway growth in both public and private debt is the major economic problem of our times.

This is because 95% of the money we use is bank "credit" [not coins or currency]. Federal Reserve lending has significant effects on mortgage interest rates but not credit cards where the interest rates charged are off the charts. Federal Reserve regulations must be administered in a manner that is both reasonable and balanced to protect the public. The American people must be protected from the abuse of economic power of those who control the purse-strings of the nation. Perpetual debt is a cross that must be removed from the back of working people. Raising interest rates has the same effect as raising taxes – it adds insult to the injury already suffered from the deflation in wages and real estate values since the crash of 2008. Since the public and private debt is like a loadstone on the public's back, **the Federal Reserve Board can help keep the weight of debt from growing bigger by keeping interest rates near zero percent as a permanent monetary policy.**

Thanks to Chairman Ben Bernanke who used the Fed's power to create electronic money, the Federal Reserve now owns 4.5 trillion of U.S. Government bonds and securities. The Federal Reserve Banks, having collected 100 billion in interest paid on these bonds from the Federal Government in 2015, will return $98.7 billion in profits back to the U.S. Treasury (1). Thus the Federal Reserve's purchase of bonds has substantially increased revenues to the U.S. Government. These purchases have

transformed the 4.5 trillion in bonds and securities into virtual non-interest bearing debts and reduces the need for future borrowing.

Steps the Federal Reserve can take to reduce the public debt of the U.S. Government and slow down the growth of private debt

1. **Quantitative Easing – return to the practice of your predecessor, Bernard Bernanke.** Resume the purchase each month of 100 billon of U.S. government bonds and securities on the open market until such time as the entire national debt is owned by the Federal Reserve Banks.

This action will help the Congress balance its budget by returning to the U.S. Treasury 99% or more of the interest paid to the Federal Reserve banks – the effect is that the interest bearing bonds become virtual interest free obligations.

2. **Create two new categories of Federal Reserve Fund rates for long-term loans** to help **credit card holders** and **students refinance** more than 2 trillion of debts at substantially lower the interest rates than the rates now being charged. Specific are -

a. **Credit Card Fund rate** – The Federal Reserve Banks should create this new category of loans to banks and credit unions to assist their customers in refinancing credit card debt at an annual interest rate not to exceed 3%. The Fed to charge banks and credit unions ¼ of one percent per annum on these credit advances. Binding written agreements between the Federal Reserve, the banks, and credit unions are to mandate these funds for loans at an interest rate of 3% per annum or less.

b. **Student Loan Fund rate.** The Federal Reserve Banks should create this new category of loans to banks and credit unions to assist their customers in refinancing student loans at an annual interest rate not to exceed 3%. The Fed to charge banks and credit unions ¼ of one percent per annum for these credit advances. Binding written agreements between the Federal Reserve, the banks, and credit unions are to mandate these funds for loans at an interest rate of 3% per annum or less.

Creating these two new categories will add to the existing Federal Reserve lending rates called the **Federal Reserve Funds rate** and the **Fed's Discount rate.** Federal Reserve lending rates can vary between these categories if needed. You will have critics among the nation's biggest bankers but the people on Main St will applaud you for helping ease their financial burdens. I urge you and your fellow Federal Reserve Board members to follow in Bernanke's footsteps, to serve the best interest of all the people, and not just a handful of billionaires on Wall St.

Thank you for your attention to this letter.

Conrad LeBeau

References: 1. Los Angeles Times Jan 9, 2015 article by Jim Puzzanghera