

Interest Rate Compassion

BY TOM BETHELL

If you were watching the CBS Evening News one night in November then you might have seen Dan Rather introduce a segment on the economy by saying that sometimes the "human realities" get lost in all the economic aggregates, hiding from view the people who are "hurt" by government economic policies. Cut, then, to Mr. Manny Dembs, a homebuilder from Farmington Hills, Michigan, who was testifying before a Senate Democratic Task Force on Interest Rates, chaired by Sen. Donald Riegle of Michigan. Dembs launched into a lengthy diatribe that was very good theater—the reason, no doubt, it was transmitted by CBS-TV—but very bad economics.

Manny Dembs's argument was that high interest rates have hurt homebuilders, including himself, and high interest rates are caused by the Federal Reserve System. Ergo, Paul Volcker and his monetarist minions (Milton Friedman was singled out) are the enemy of the economy in general and of Mr. Dembs's homebuilding business in particular.

The first part of Dembs's argument is correct. High interest rates are not good for business in general. But it is not true that the Federal Reserve "sets" interest rates. Can we not get this into our heads? Interest rates are market phenomena, the price at which the supply and demand for credit are equalized. It is true, of course, that the Fed sets the discount rate, at which member banks may borrow reserves from the Fed, but this rate does not lead the train of interest; it follows in the rear, like the caboose.

Clearly what Mr. Dembs wanted the Fed to do was to expand the money supply. This is within the power of the Open Market Committee of the Fed, which can determine the degree to which the federal debt is "monetized" by buying back government bonds from holders (banks) on the open market. Since these bonds are bought back with electronic money created out of thin air, and since this electronic money becomes bank reserves with the potential to be multiplied later on as a result of bank lending, such debt-dissolving behavior is inflationary in its essence.

In short, it rather looks as though what Mr. Manny Dembs of Michigan wanted

the Fed to do was to inflate the money supply so that interest rates would go down so that his homebuilding business would pick up. But why should the value of my savings, and everybody else's sav-



ings, be eroded so that some business owners may be bailed out?

That is one question—essentially a moral one. But there is another and more practical issue, which is still far from understood. Does expanding the money supply really drive down interest rates? The emerging monetary aggregates are now closely watched by participants in the money markets. An expansion of the money supply may indeed increase the available pool of credit, but lenders have also become more sophisticated and realize that such an expansion of the pool means that the real value of money will decline in the future. Lenders therefore take action to protect themselves against such a decline in value by demanding a higher interest rate. The "inflation premium" in interest rates will increase.

If this is true—and it seems to be more and more true every day (such changes in market behavior do not happen overnight)—then the Fed not only does not control interest rates, but any attempt it might make to force them down by monetizing the debt will be counterproductive. And if *this* is so, then we can all heave a sigh of relief, because it means the days of irresponsible Fed behavior must surely be over. Only if the Fed refuses to monetize the debt will interest rates come down.

Of course, we will all be delighted if interest rates do come down. That, at

least, all parties may agree on. What, then, can the government do to bring them down? There is one solution, and I'm only sorry that Mr. Dembs didn't seem to realize that the principal culprits were sitting there right in front of him: members of Congress.

The best way of reducing interest rates would be for Congress to stop taxing away that portion of interest which in no sense is income—let alone "unearned income," as it has hitherto been known—but which merely protects the saver from inflation. Such a change in the tax laws could, I estimate, immediately lop three or four points off the interest rate.

At the moment it is just about impossible for a saver who is in any kind of a tax bracket at all (and most people who are in a position to save are in the 50 percent bracket) to protect his savings from the dual ravages of inflation and Uncle Sam. It has taken lenders some time to realize this point. And when they did, interest rates stayed up rather than come down, as they were supposed to do this summer (when commodity prices were dropping). Lenders were no longer being taken for a ride. They were demanding a real, after-tax return.

The CBS News segment conveyed to us the message that real people are getting hurt by an uncaring government. In fact, real people are being hurt by a *compassionate* government. It is not people like Mr. Dembs who are being hurt by monetarists like Paul Volcker; rather it is people like you and me (and Mr. Dembs) who are being hurt by senators like Donald Riegle: intensely caring, compassionate senators, who care so much that they are willing to tax away savers' inflation-protection, to justify doing so by calling it unearned income, and then to hand out this money—and \$50 or \$100 billion or so more than is collected, so great is their compassion—to other people who then find that they do not have to work for a living as a result.

It is indeed time for CBS News to point the finger of accusation, but it is softness, not hardness, in high places that is to blame.

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Bruises, Vegetables, Life Extension

BY DURK PEARSON AND SANDY SHAW

What does a black-and-blue bruise on your leg have to do with the greenness of a package of frozen Brussels sprouts? And what do either of these have to do with life extension? Plenty!

When you open up that package of frozen vegetables, such as Brussels sprouts, you are immediately struck by the almost unnaturally green color. But that color is not painted on. It is real. The reason the sprouts have not turned a drab brownish-green color, as they do naturally, is that they have been bathed in an EDTA solution before packaging. EDTA is a commonly used food additive, a chelating agent that removes heavy metals (such as copper and iron) from the surface of green vegetables.

Chelate comes from the Greek word for "claw"; chelating agents chemically capture and bind many metal ions. Copper and iron in the leaves catalyze (stimulate) the production of free radicals during the oxidation of many of the plant's constituents as it ages after harvesting. These free radicals are what normally make green vegetable matter wilt (by damaging the cell walls) and turn brown after death. In fact, the lovely colors leaves turn in the fall come about partly as a result of free radical reactions. First, the chlorophyll in the leaves is destroyed by free radicals. The leaves are then beautifully colored by the carotenoids (such as yellow beta carotene in carrots) they contain. Finally, the carotenoids themselves are destroyed by free radicals, and the leaves turn brown.

Free radicals are highly chemically reactive entities with an unpaired electron, which are created in the bodies of animals and plants while they are alive and even after they die. Because these free radicals are required for many necessary biochemical reactions, both plant and animal organisms have developed an array of protective enzymes (including superoxide dismutase, glutathione peroxidase, and catalase) and antioxidant nutrients (including vitamins A, B-1, B-5, B-6, C, E, the amino acid cysteine, and the minerals zinc and selenium) to protect themselves against free radical damage. When these radicals get out of control, they can do serious damage to cellular fats, proteins, DNA, and RNA, causing cell death or even

cancer. Free radicals are a major mechanism of damage that causes our own aging.

But back to the Brussels sprouts for a moment. What is the relation of the browning of the sprouts to your bruise? The copper and iron that catalyze free radical production in the sprouts do the same in crushing injuries that cause blood (which contains lots of iron and copper) to leak into the tissues from broken capillaries. Those black, blue, and yellow colors in a bruise are created by the uncontrolled chemical attack of free radicals on substances in the tissue. Chelating agents—which bind, inactivate, and remove these heavy metals from an injury—can greatly reduce the damage and speed healing.

Spinal cord injuries, far more serious than mere bruises, have been successfully treated with D-penicillamine, a powerful chelating agent. It is possible to dramatically reduce the degree of paraplegia that would ordinarily result from an experimental spinal cord injury in cats by prompt injection of D-penicillamine. By chelating the heavy metals in the injured area, the D-penicillamine inhibits the development of a free radical chain reaction that can literally destroy the spinal cord tissue by converting the highly polyunsaturated lipids (fats and oils) there into organic peroxides, generating more free radicals in a chain reaction. Without chelation of the iron and copper leaking from the hemolyzing (breaking down) red blood cells that have escaped from broken capillaries, free radical activity in the crushed area increases by more than 100,000 times within four hours! D-penicillamine has also been used in the successful treatment of some cases of severe rheumatoid arthritis.

Caution: D-penicillamine chelation therapy should be done *only* by a physician experienced in this type of therapy. (A different compound, L-penicillamine,

is a very dangerous substance and can be lethal.)

Chelation has been tried successfully for extending the life span of experimental animals. Sincock and his coworkers treated microscopic organisms (the rotifer *Mytilina brevispina*) by immersing them briefly in solutions of one of the chelating agents sodium citrate, sodium tartrate, EDTA, and EGTA. Their lives were extended by all the treatments—up to 75.9 percent with EGTA. The treated rotifers did not accumulate nearly as much calcium with age as the untreated rotifers did.

Chelating agents are now being used to treat people for a number of conditions. In heavy metals poisoning, such as lead intoxication, the combination of EDTA and vitamin C has been found particularly effective, especially in removing lead from the brain, where it does the most harm. Vitamin C alone helps prevent the buildup of heavy metals by helping to keep them in solution in the blood, where they can be eliminated via the urine.

Some good results have been obtained with EDTA chelation therapy for atherosclerosis in cases where there are abnormally high plasma lipids. Plasma lipid levels were lowered to normal or near normal in some patients who had elevated levels. Plasma levels returned to their original levels after EDTA therapy was stopped but fell again when it was reinitiated. In atherosclerosis patients with normal plasma lipid levels, there was little or no plaque reduction with EDTA.

Recently, a chelated form of copper, copper salicylate, has been found very effective in interacting with superoxide free radicals, thereby preventing much of their damaging effects to synovial fluids and joint membranes in some types of arthritis (for example, rheumatoid arthritis). The antiinflammatory effects of aspirin work in a similar way by inhibiting the synthesis of inflammatory prostaglandins that are formed via a free radical route. These copper salicylates work much like the natural antiperoxidase-free radical enzyme superoxide dismutase (SOD) and are sometimes called artificial superoxide dismutases.

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