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Wrestling with interest rates

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Some economic experts --- including one Federal Reserve Bank president --- have called for the Federal Reserve Board to end policies that have pushed interest rates to historic lows. Others say such a move would hobble economic recovery. Should the Federal Reserve increase interest rates?

Yes

Mark A. Calabria, director of financial regulation studies, Cato Institute

While many problems face our economy, high interest rates are not among them. Record low rates in 2009 did not change the direction of the labor market, and continued monetary stimulus will not bring back jobs. Expecting the Fed to achieve what it cannot only undermines its credibility. Borrowing cheaply from one part of the government --- the Fed --- and lending at a higher rate to another part --- the Treasury --- might be a great deal for banks, but not for the rest of us. A modest rate increase will push banks away from lending to the Treasury and toward lending to business, where job creation ultimately comes from. Current rates constitute a massive transfer of wealth, almost $200 billion annually, from savers to the imprudent --- chief among them the big banks and the federal government. Artificially low rates also prop up assets above their fundamental values, creating conditions ripe for another bubble.

No

Dana Bauguss, president, Georgia Association of Realtors

The housing market is limping through the worst recession the United States has seen in decades. The National Association of Realtors recently reported a positive upward trend in home sales, which offers a glimmer of hope. However, a hike in rates could stop this trend in its tracks. Even a modest increase will inhibit potential home buyers. A rate increase has a ripple effect on the affordability of a home. Buyers would not be able to purchase the same home at 6 percent that they could at 4.3 percent. If their financing options dwindle, consumers may get back on the fence indefinitely. As evidenced during this recession, the steady and successful transfer of real estate is essential to our economy. If the Fed arbitrarily increases rates, the hike could slow or stop any improvement in the market. Another real estate market downturn could set the stage for a double-dip recession.