Riegle, Ruppe split on credit controls

By Tim Richard
staff writer

Two U.S. Senate candidates are taking far different views toward a builder's proposal that the Federal Reserve Board impose "selective" credit controls.

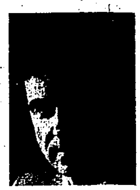
Incumbent Democrat Donald Riegle, who will seek a second term this year, likes the idea of cutting off credit to corporate acquisitions, stock and commodity speculating.

Philip Ruppe, former five-term congressman and a leading contender for the Republican nomination, calls the idea unwise in a peacetime economy, contending it would turn economic decisions into political ones.

The proposal was voiced recently by West Bloomfield builder Herman Frankel, president of the Builders Association of Southeastern Michigan. Frankel said the amount of credit absorbed by nonproductive uses was in part responsible for the depression in the housing industry. He cited corporate mergers and speculation in stocks and commodities as less worthy than housing.

RIEGLE, SPEAKING to the west suburban chambers of commerce in Plymouth, deplored high interest rates.

Riegle



Ruppe

"When national unemployment is 9 percent and Michigan unemployment 15 percent, you don't expect that to happen," said the one-time Harvard Business School doctoral student.

Citing $35 billion in credit absorbed by corporate mergers and takeovers, Riegle said, "We can't afford to take enormous blocks of credit that way. The Federal Reserve Board and the president can do something."

Riegle said West German Chancellor Helmut Schmidt created a sensation in Washington when he voiced his concern "for the basic economic sickness that threatened the real possibility of worldwide depression."

Added Riegle: "We have to come out of this economic power dive."

Although he voted for the Reagan tax cut, Riegle said Republican leaders are worried because "things aren't working out the way they're supposed to . . . . The oil and gas companies grabbed so much that even (budget director) David Stockman said, 'The hogs are really feeding.'"

RUPPE, IN an interview, said, "In a peacetime economy, we should not have credit controls.

"If you do, the question becomes very political: Who's to say what segment of the economy gets credit arrangements?"

The Upper Peninsula businessman instead blamed a host of governmental non-budget loan deals for absorbing much available credit and hurting established downtowns.

"We see so much of that now — local revenue bonds to finance everything from a factory to a fast-food outlet. Each one of those tax-break financing arrangements dries up, to some degree, the amount of capital available to the private sector.

"The same thing happens with a myriad of federal agencies which use off-budget financing for (as an example) dam authorities. It's uncontrolled. Those should go before selective controls are imposed.

"I'd limit (local revenue bonds) to industrial growth, and not encourage them in the shopping center area."

RUPPE ADMITTED he had his "own ox to gore." He and a brother owned a building in downtown Houghton and leased it to the J.C. Penney department store chain.

"When Penney's lease came up, they left and went out of town three miles to a shopping center which is financed by local (government revenue bond) dollars. It didn't really hurt us, because we sold our building to the newspaper," said Ruppe.

"But frankly, all the other businesses did get somewhat affected by the shopping center's getting funded by local development funds.

"I have no support for the (corporate) merger movement, but who's to say who gets the credit in peacetime?"