P.S. to the NEWS
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THE HIGH COST OF FEDERAL LOANS

What is the largest money lender in the United States today? If you guess the Bank of America, the largest bank in the world, you wouldn't even be close. The answer is the U.S. Federal Government, which now has $120 billion in direct loans outstanding, far more than double the loans of the Bank of America.

Experts predict that direct loans by federal agencies will continue to rise rapidly, going to $137 billion by this fall and $150 billion in 1980. These figures are not even counted in the budget deficit figures we hear talked about so much.

Recent publicity about the high default rate in the student loan program has focused attention on the federal lending programs, their variety and volume, their easy terms, and their bad collection records. But the $702 million of defaulted student loans is just the tip of the iceberg.

There are 34 separate federal agencies which lend our money or guarantee bad loans made by others. When the loan guarantees are counted, these 34 agencies have a total of $440 billion outstanding as of last September.

The mushrooming of the lending and guarantee programs is shown by the fact that this is an increase of $56 billion over the previous year. Experts predict that federal loans and guarantees will increase to $494 billion by September 1979 and to $552 billion by September 1980.

Not only does the federal government extend dollar credits so generously, but many of the loans are made at ridiculously low rates of interest, such as 3 percent on student loans, 2.6 percent on some foreign loans, or even no interest at all. If these borrowers had to go to commercial banks, they would pay at least the prime interest rate which has been about 12 percent for many months.

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If these borrowers received their loans when the commercial interest rate was 12 percent, their loans are being subsidized by the taxpayers to the tune of about $15 billion a year. If they borrowed when prime interest rates were only 9 percent, their federal subsidy would be about $8 billion a year.

While the default on student loans is shocking, the default of Congress in failing to supervise or control these loan programs is even worse. It is no excuse to claim that the lending programs are beyond the control of Congressional committees. Congress should bring them under control because the taxpayers' money is involved.

The backdoor billions pouring out from 34 federal lending agencies are a major reason why the purchasing power of our dollar has been cut by more than half over the last 30 years, and why government bonds are not the safe investment they ought to be. The chief cause of our runaway inflation is the Federal Government. Many people forget to blame the real culprit because it doesn't send us a bill on the first of every month.

It is wrong to blame the grocer, the gasoline station, the farmers, etc., for the higher and higher prices we all are paying. They are not protected against paying higher prices for everything they need any more than the rest of us.

The Federal Government can pay its big bills by printing bonds and Treasury certificates and then getting the Federal Reserve System to manufacture dollars to redeem the bonds and certificates. Our money is no longer backed by gold or silver and is not even issued by the U.S. Government.

In addition to the direct costs of the federal handout and credit policies, the indirect costs are incalculable. What our country needs is more jobs. Jobs are caused by capital formation, and capital formation takes place when business can borrow funds for capital investment and expansion.

But one-fourth of all credit funds raised last year went to the federal government for government-sponsored programs and for guaranteed borrowing. No wonder there's not enough money to create jobs in private industry.

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