P.S. to the NEWS
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FREE FEDERAL BUCKS

What do the letters FFB mean to you? Officially, they stand for Federal Financing Bank, but colloquially they stand for Free Federal Bucks.

FFB is an obscure, off-budget bank in the U.S. Treasury Department, with only ten fulltime employees. It serves as a conduit for your tax dollars being funnelled into the hands of eager borrowers, leaving the FFB with $65 billion in outstanding IOUs.

Yes, you read that correctly. It's billion, not million. The FFB's loan portfolio is larger even than that of the Bank of America, the world's largest bank.

There are many differences, however, between the FFB and the Bank of America. Bank of America lends money at prevailing interest rates, while FFB lends at bargain rates. When loans go sour, Bank of America's stockholders take the loss for their officers' bad business judgment, but FFB just pays its loss out of your tax dollars.

When Bank of America makes a loan, the applicant must justify his creditworthiness, and the loan officer must be able to defend the decision to grant the loan. FFB, on the other hand, is called upon to justify any decision to deny a loan. As a result, no loan request has ever been turned down, according to Bank Secretary Roland Cook.

FFB loans include $366 million to Turkey, which is in the bottom five in a ranking of creditworthiness of 93 nations; $430 million to the U.S. Railway Association (Conrail), which lost $483 million last year; $55 million to two railroads which are both in bankruptcy; $177 million to the Washington D.C. subway system; $140 million to Morocco; and $1.1 billion to the Student Loan Marketing Association, which has a shockingly high default rate.

The FFB was set up in 1974 as an effort to control and consolidate federal credit programs and make them more cost-efficient. Its chief advocate was Paul Volcker, then Under Secretary of the Treasury for monetary affairs, and now the Federal Reserve Board chairman. He argued that FFB would be merely a "pass-through"

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for federal credit and therefore should be outside the regular federal budget.

Originally, Congress put a $15 billion ceiling on the amount of bonds FFB could issue and have outstanding at any one time. However, the FFB bonds didn't sell, and the FFB turned to another section of the law which allowed it to borrow directly from the U.S. Treasury. That section imposed no limits.

Not only is the present total of $65 billion four times what Congress originally contemplated for FFB, but its existence outside the federal budget severs responsibility for its actions and conceals and understates the size of the federal budget. Both factors contribute to inflation and the push for higher interest rates.

FFB is in a favored position because it has control of a mind-boggling amount of money but, according to a Congressional Budget Office analysis, is not subject to the "discipline and controls" of the regular budgetary process. In other words, if you think the federal budget is wasting your tax dollars, that's nothing to how your money is handled by FFB.

In practice, FFB is a device under which federal departments can "arrange" for loans to favored corporations, citizens, or foreign countries, but not have the loan appear as a budget outlay in its own department where it would come under Congressional or budgetary scrutiny. The U.S. Treasury forks over the cash (your money), and the loan is then file-drawered in FFB.

The Congressional Budget Office said that in FY 1979 "more than $15 billion in federal credit activities were made to appear as if they didn't exist" because of FFB operations. An audit by the respected firm of Peat, Marwick, Mitchell & Co. reported that oversight of the loan program is "scanty and inadequate."

While federal deficits have been around for many years, the phenomenal growth of FFB just during the past five years is cause for alarm in itself. The solution urged by the General Accounting Office and others is to put FFB in the federal budget.

A better solution is to eliminate this secret cause of inflation. Why should ten unelected, hidden bureaucrats have the power to create $65 billion of inflationary dollars which are a cause of our rising prices?

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