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NEW YORK BANK LOANS

The Congressional bailout of New York City, which followed President Ford's reversal of position on that issue, is dramatic evi dence of the hard political fact that a determined, well-organized, well-financed, aggressive minority (New York state) can usually outwit and override the unorganized majority (the other 49 states).

This is how the wages of the average American worker are being consistently ripped off to pay the higher and higher taxes to subsi dize special-interest groups whose strident demands are heard so much more loudly in the halls of Congress then the sighs of the silent majority.

The Great Depression of the 1930s was triggered by the failure of a large Austrian bank, followed by many subsequent bank failures in the United States. Today, the Federal Deposit Insurance Corpora tion, which is supposed to save us against such catastrophes, reports that more than 250 of insured banks are on a "problem" list. Federal regulators have closed more banks this year than anytime since 1942, and other banks are swamped with millions of dollars' worth of bad loans.

Many analysts are now apprehensive about the big New York banks, some of which have made three types of bad loans. First, they have lent money to real estate investment trusts, and an average of 65

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percent of such bank investments are not currently earning interest. Six of New York's largest banks collectively hold 3.6 billion dollars

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in Real Estate Investment Trust paper, much of it of doubtful quality.

Second, the banks have lent 4.2 billion dollars to New York City and New York state agencies, some of which may have to default if New Yorkers don't pay the new taxes that have been imposed.

Third, the New York banks and particularly Chase Manhattan have lent hundreds of millions of dollars to the Soviet Union and other Communist countries which may turn out to be as uncollectible as the $11 billion in Lend-Lease funds loaned by the American taxpayers during World War II. Chase Manhattan even opened a branch bank at #1 Karl Marx Square in Moscow to expedite its loans to the Russians.

The big New York banks should remember that most of the money they have to lend really belongs to their depositors, including their correspondent banks throughout the country. There is no man date from these depositors to finance free college educations or non-contributory pensions for New Yorkers, or to send capital over seas to finance competition for American factories and jobs. Nor is there any indication that bank depositors are willing to substitute generosity for sound business practices in order to make loans to poor credit risks such as the Soviet Union and thereby save the Russian economy from the consequ nces of Communist mismanagement.

In investing the funds of their depositors, the officers of the big New York City banks should stick to the Prudent Man investment rule.. If they don't, the · next round of malpractice litigation may be against bank officers who have recklessly loaned their depositors' savings.

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