Ferdie J. Deering

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Credit Under Government's Control

LENDERS might have differing opinions about whether it is good or bad, but it looks like government is taking complete control of credit.

Everything from personal savings accounts to formation of business capital has been or is being centralized in Washington.

Farm loans, home mortgages, consumer credit banks, employee credit unions, student loans, retail credit cards, interest rates and truth-in-lending practices have become political matters.

Discouragement of use of oil company credit cards as a means of reducing fuel usage is an example of credit control for leverage.

Traditionally, private lenders have extended credit to business firms or individuals because they merited it, either by having adequate collateral to assure repayment or because of the proven integrity and honesty of borrowers.

Loans made upon political premises do not necessarily require any of these considerations. Political lending may be based upon how borrowers vote, presumptions of resulting social attitudes, or schemes to redistribute the nation's wealth to suit the party in power.

When it is noted that funds so handled may be money taken from taxpaying citizens or specie created by federal agencies, power vested in administrative authorities assumes awesome proportions.

Money is power wherever it is situated. When money power is combined with political power, regulatory powers, and power to expropriate and appropriate profits, other powers become subordinate.

At this time, the federal government is not the only primary lender of money. It operates through thousands of private institutions to whom borrowers may apply for loans. But the situation is much like that of the husband who bragged "I wear the pants in our family," and then admitted, "Of course, my wife tells me which pair to wear."

The federal government did make direct loans of billions to New York City when that metropolis mismanaged funds until it could borrow no more from private sources. It loaned millions directly to Chrysler Corp. to bail it out. The pattern has been set.

Under a new law, all banks are required to observe rules of the Federal Reserve Board, whether or not they are members of the system.

Federal regulations and taxation have discouraged personal savings so that the percentage is at a very low 4.5 percent of earnings. So a tax reduction has been proposed to encourage productive workers to save more. At the same time, government wants withholding taxes set up on interest earned to assure Uncle Sam his share.

The ultimate use and abuse of credit, however, comes down to the determination of who may or may not borrow money by political standards, rather than on whether or not the loan is likely to be repaid.

Control of the credit situation already may have passed beyond the reach of voters. We can't even keep the federal government from spending more than it takes in every year.