

Subsidizing Bad Money-Management

FOR 50 YEARS the United States government has been setting an example for the public in spending beyond income.

Now it has become national policy to subsidize bad money management by big banks. Paul Volcker, chairman of the Federal Reserve Bank, said so after the government rescued Chicago's Continental Illinois National Bank from insolvency.

The bank had more bad loans than it could stand and Uncle Sam came riding in with sacks full of taxpayers' money.

Why shouldn't Uncle Sam do as much for us taxpayers? When funds in our checking accounts run low and payments are due on the house, car, TV, vacation and electricity for air conditioning, is it not a comparable situation.

Political analysts have told us for decades that the main business of government is to take money from producers and allocate it to others, especially non-producers who are voters.

It might appear that the prime beneficiary of the billions Uncle

Sam has poured into Continental would be the bank itself. Since it is now somewhat nationalized, that's doubtful.

Actual beneficiaries of these subsidies are borrowers who obtained loans bigger than they could repay. Some were Oklahoma oil people who stretched their credit too thin at Penn Square Bank. The money has been invested and spent and may never be repaid.

Even though some may have trouble raising capital they need or want, it usually is easier to borrow money than to repay the loans. That's why so many businesses and individuals resort to bankruptcy.

Subsidized loans are not a new thing for government. It has been borrowing money and lending it at lower rates to small businesses, farmers, REA, housing agencies, et al, for decades.

Bailing out failing businesses is not new, either. A notable example was refunding of Chrysler Corp. to keep it from succumbing to high union wages and benefits, congression-

al specifications on how to build cars and foreign competition.

These problems might have existed regardless, but Congress made them more critical with laws enacted to help solve other problems of the economy and politics.

Federal subsidization of the big Chicago bank does not constitute actual nationalization, but it represents another step toward socialism because of government's part in management.

Lifting of regulations to open the way for creation of more super-banks and multistate banking may convert most smaller banks into branches of bigger banks. As computers arrive in more homes, offices and shopping centers the friendly home town banker is like to become a mere money machine operated by plastic cards.

Politicians long ago found it simpler to regulate and control a smaller number of big businesses and big farms than a larger number of small ones. They talk small but enact big laws.