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Volume Title: Federal Lending and Loan Insurance

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Volume Publisher: UMI

Volume ISBN: 0-870-14152-X

Volume URL: <http://www.nber.org/books/saul58-1>

Publication Date: 1958

Chapter Title: The Nature and Scope of Federal Credit Activities

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Chapter URL: <http://www.nber.org/chapters/c2569>

Chapter pages in book: (p. 1 - 27)

Federal Lending
and Loan Insurance

PART I

CHAPTER 1

The Nature and Scope of Federal Credit Activities

THE present study is directed to one aspect of the rising tide of governmental activities, namely, to the extension of credit by the federal government and to government insurance or guarantee of loans made by private financial agencies. Its purposes are to show how the various credit programs developed and where they stand today, to describe the services they offer, to record the experience of the federal government as a lender, and to analyze the impact of its credit activities on private finance and on the economy generally. These four objectives provide the subject matter of Chapters 2 through 5, respectively, of Part I. In Part II, Chapters 6 through 8, we deal separately with the programs in agriculture, business, and housing, giving for each of these areas a more detailed account of the services rendered, the experience encountered, and the effects of the program. Tables giving a still more detailed breakdown of data on lending programs are given in Appendix A, and technical treatments of the business lending programs of the Reconstruction Finance Corporation and the Veterans' Administration are given in Appendixes B and C.

Scope of the Study

The first, and in many ways the most troublesome, task of the study was to set conceptually satisfying and practical limits to its scope. Difficulties were inevitable, perhaps, in view of the variety and complexity of the activities that come within the general range of the investigation, and their unusually ramifying nature. It was essential, however, to set definite limits to the scope of the study, even though they necessarily have an arbitrary cast.

First, the study excludes credit programs of state governments and also of international agencies, even those in which the United States government plays a prominent role. State programs are not too numerous to deal with, but data on them are so fragmentary that they had to be ruled out; international agency programs were excluded for the obvious reason that to cover them would carry the investigation too far afield from the activities of the federal government.

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Second was the question presented by domestic agencies only quasi-public in nature. Naturally, the study covers all direct credit agencies of the federal government; besides, it includes all those having a special financial or administrative connection with the federal government, whether or not federal funds are presently invested in them. The latter—for example, the district Federal Reserve banks, federal land banks, and federal home loan banks—are termed federally sponsored agencies, though the label does not fit all of them equally well. They include agencies that are in some respects private or cooperative in ownership and organization but that operate in part with Treasury funds; and agencies that, although no longer using Treasury funds, are specially connected with some federal agency through the latter's power to appoint policy-making officers and in some cases to review policy decisions. In most tabulations, data will be given separately for the federal and the federally sponsored agencies.

Third, the limits of the study are defined in terms of the types of activities as well as of the types of agencies covered. Programs under which privately made loans are insured or guaranteed are included, in addition to those in which credits are extended directly by the federal government. Federal purchases of stock or shares aimed mainly at aiding financial institutions have been included, but only where they are clearly a close substitute for financial aid through loans. These three main categories of financial assistance are shown separately in most tabulations.

Among the excluded programs are a number in which the extension of credit—usually on an accounts receivable basis—was only incidental to some other activity, such as when the U.S. Commercial Company gave open book credit during World War II in connection with its sales of commodities, or when the U.S. Housing Corporation, after the earlier war, took back receivables in selling government-owned housing. But assets such as the real estate sales contracts taken by Home Owners' Loan Corporation in its sales of foreclosed real estate have been included as credit extensions, on the ground that here the deferred payment sales were an integral and major part of what was essentially a program of financial aid.

Loans made indirectly—as when the federal intermediate credit banks discount paper for production credit associations, enabling the latter to extend credit to farmers—are covered, as well as those going directly to the ultimate borrower; but double counting that

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might arise from such transactions has been rigorously avoided. Interagency loans—such as purchase by the Treasury of debentures of the RFC—have been excluded, also to avoid double counting.

Loans made under participation agreements with private institutions are included as direct loans when the credit has actually been extended; during the time when there is merely a commitment outstanding under which a federal agency is obligated to take up all or some portion of a loan at the option of the private lender, the amount of the obligation is regarded as a loan guarantee. Grant-in-aid programs, of course, are excluded, and it is perhaps equally obvious that loan or guarantee programs that are not fully self-supporting cannot be excluded, both for conceptual and for practical reasons.

Several special problems encountered in defining the area of study require comment. First, the decision was made to exclude loans by United States agencies to foreign governments, on the ground that these would lead too far afield from the first and central purpose: examining federal financial aids to business, agriculture, and homeowners. Furthermore, to have included, say, the Treasury's British loan authorized in 1946 would have raised the question of covering lend-lease transactions and the complex series of intergovernmental loans that were extended during and after World War I. To embrace these within the scope of the study would have been quite impractical.

But excluding all loans by federal agencies to foreign governments is not an easy matter. Some of this lending, specifically that which is conducted as part of the regular programs of the Export-Import Bank, could not be fully separated from lending to foreign private concerns and to domestic concerns engaged in foreign trade, and had to be included in the tabulations. It was feasible, however, to exclude credits extended to foreign governments by the Foreign Operations Administration and its predecessors (either directly or through the facilities of the Export-Import Bank) and by the RFC.

Next, there is the controversial matter of direct and guaranteed loans by the Commodity Credit Corporation. These might have been excluded on the ground that they are a means for carrying out a price support program and are not primarily a form of credit assistance. On the other hand, to exclude them would be objectionable, since the amounts involved are appreciable in certain years. The procedure adopted was a compromise: CCC loans are included, as a separate item, in the quantitative series on loans to agriculture

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(Chapter 2); but they are dealt with only superficially in the text, since to treat them fully would carry the discussion far from its central focus.

Finally, discounts by the Federal Reserve Banks for their member banks (but not the direct loans of the Reserve Banks to business concerns) have been excluded both from the quantitative measures of credit activity and from the descriptive and analytical portions of the text. To include credits made by the Federal Reserve Banks purely in the exercise of their duties as central banks would have brought the whole field of monetary and credit policy within the scope of the study. The decision against doing so does not in any way imply, of course, that the Reserve Banks do not exercise a powerful effect, as credit agencies, on the economy. It is believed, however, that for analytical purposes the influence of Federal Reserve operations on the economy, and similarly the influence of what are termed here the credit programs of the federal government, are better viewed separately than when merged into a single aggregate.

In all of the instances cited above, the basic decision was made on conceptual grounds or for the practical reason that to include certain programs would have widened the scope of the study beyond manageable limits. In certain other cases programs have been excluded for practical reasons of a more mundane character, namely, the impossibility of compiling adequate data on them. It may be hard to believe that there should be no means of determining, even after persistent inquiry, how much was disbursed under federal programs that involved millions of dollars, but this is the case. It is perhaps small comfort to be able to report that the totals involved are not so large as to affect the conclusions of the study on the economic effects of federal credit activities.

In order to afford a quick view of the field of study, all agencies whose activities have been included are shown in Table 1, classified in three ways: (1) according to whether they were active or inactive as of the end of 1953; (2) whether they are direct federal agencies—designated F—or federally sponsored agencies—designated FS; and (3) according to the sector of the economy—agriculture, business, financial institutions, housing, minor governmental units, or miscellaneous—which they mainly serve. This table is followed by two listings, one of the specific programs covered in the study and the other of programs that for indicated reasons have been excluded.

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TABLE 1

Federal and Federally Sponsored Credit Agencies, Classified
by Economic Sector They Mainly Serve and by Active
or Inactive Status as of December 31, 1953

<i>Agriculture</i>	<i>Business</i>
<p>ACTIVE</p> <p>Banks for Cooperatives and Central Bank for Cooperatives (FS 1933)</p> <p>Commodity Credit Corp. (F 1933)</p> <p>Farmers Home Adm. (F 1946)</p> <p>Federal Farm Mortgage Corp. (F 1934)</p> <p>Federal Intermediate Credit Banks (FS 1923)</p> <p>Federal Land Banks (FS 1917)</p> <p>Production Credit Corps. (FS 1933)</p> <p>Rural Electrification Adm. (F 1935)</p> <p>INACTIVE</p> <p>Agricultural Marketing Act Revolving Fund, FCA (F 1929)</p> <p>Crop Production and Seed Loan Office, Dept. of Agriculture (F 1918)</p> <p>Electric Home and Farm Authority (F 1935)</p> <p>Electric Home and Farm Authority, Inc. (F 1934)</p> <p>Emergency Crop and Feed Loan Div., FCA (F 1933)</p> <p>Farm Security Adm. (F 1937)</p> <p>Farmers Seed Loan Office (F 1931)</p> <p>Land Bank Commissioner (F 1933)</p> <p>Regional Agricultural Credit Corps. (F 1932)</p> <p>Resettlement Adm. (F 1935)</p> <p>Rural Rehabilitation Div., Federal Emergency Relief Adm. (F 1934)</p> <p>Tennessee Valley Associated Cooperatives, Inc. (F 1934)</p> <p>War Finance Corp. (F 1918) (also Business and Financial Inst.)</p>	<p>ACTIVE</p> <p>Army and Navy Depts. (F 1942)</p> <p>Atomic Energy Commission (F 1951)</p> <p>Dept. of Airforce (F 1951)</p> <p>Dept. of Commerce (F 1951)</p> <p>Export-Import Bank of Washington (F 1934)</p> <p>Federal Reserve Banks (FS 1934)</p> <p>General Services Adm. (F 1951)</p> <p>Maritime Adm. (F 1950)</p> <p>Small Business Adm. (F 1953) (also Misc.)</p> <p>Virgin Islands Corp. (F 1949) (also Agric.)</p> <p>INACTIVE</p> <p>Defense Materials Procurement Agency (F 1951)</p> <p>Director General of Railroads (F 1919)</p> <p>Interstate Commerce Commission (F 1920)</p> <p>Reconstruction Finance Corp. (F 1932) (also Agric., Financial Inst., Minor Govt. Units, and Misc.)</p> <p>Smaller War Plants Corp. (F 1942)</p> <p>U.S. Maritime Commission (F 1936)</p> <p>U.S. Shipping Board (F 1921)</p> <p>U.S. Shipping Board Bureau (F 1933)</p>

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TABLE 1 (continued)

<i>Financial Institutions</i>	<i>Housing</i>	<i>Minor Govern- mental Units</i>	<i>Miscellaneous</i>
ACTIVE	ACTIVE	ACTIVE	ACTIVE
Federal Home Loan Banks (FS 1932)	Federal Housing Adm. (F 1934) (also Financial Inst.)	Housing and Home Finance Agency (F 1950) (also Business, Hous- ing, and Misc.)	Bureau of Indian Affairs, Dept. of Interior (F 1911)
Treasury Dept. (F 1933) (also Misc.)	Federal National Mortgage Assn. (F 1938)	Public Housing Adm. (F 1947)	Puerto Rico Re- construction Adm. (F 1936)
	INACTIVE	INACTIVE	Veterans' Adm. (F 1930) (also Agric., Business, and Housing)
	Defense Homes Corp. (F 1941)	Bureau of Com- munity Facilities (F 1942)	INACTIVE
	Home Owners' Loan Corp. (F 1933) (also Financial Inst.)	Community Facili- ties Service, GSA (F 1949)	Disaster Loan Corp. (F 1937)
	RFC Mortgage Company (F 1935)	Federal Emergency Adm. of Public Works (F 1933) (also Business)	Federal Security Agency, Office of Education (F 1942)
		Federal Public Housing Author- ity (F 1942)	Prencinradio, Inc. (F 1943)
		Inland and Coast- wise Waterways Service, War Dept. (F 1921)	U.S. Veterans' Bureau (F 1920)
		Inland Waterways Corp. (F 1924)	
		Public Works Adm. (F 1939) (also Business)	
		Tennessee Valley Authority (F 1934)	
		U.S. Housing Au- thority (F 1937)	

F indicates direct federal agencies.

FS indicates federally sponsored agencies.

Date in parentheses is the year in which the agency in question was established or the year in which the earliest of its credit programs covered in this study (whether currently active or inactive) was initiated. Where a currently active agency was preceded by one or more now inactive agencies, the latter are included in the "inactive" group; where an agency currently inactive was preceded by one or more other agencies, also inactive, the agency and its predecessors are listed as inactive. The classification of agencies as active or inactive has reference exclusively to their credit-granting activities. Inactive agencies are those not now extending credits, though some of them have loans still outstanding; many of them are still quite active in functions other than credit extension.

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I. PROGRAMS INCLUDED IN THE TABULATIONS

* For programs excluded, see List II, pages 19-25.

** See page 5.

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
<i>A. Direct Agencies of the Federal Government</i>		
ATOMIC ENERGY COMMISSION		
	Guarantee of loans under Sec. 301 of the Defense Production Act of 1950	Business
BUREAU OF COMMUNITY FACILITIES		
	Federal Works Agency (transferred as Community Facilities Service to the General Services Administration; currently administered by Housing and Home Finance Agency)	
	Lanham Act loans for construction of community facilities in connection with defense housing projects	Minor Governmental Units
*BUREAU OF INDIAN AFFAIRS		
	Department of the Interior	
	Loans to encourage industry and self-support among Indians, made under yearly appropriations beginning in 1911 (data available only since June 30, 1934)	Miscellaneous
	Loans for educational purposes under act of June 18, 1934	Miscellaneous
	Loans to Indians and Indian organizations (including tribes, credit associations, and cooperative associations) from a revolving fund established under acts of June 18, 1934 and June 28, 1936	Miscellaneous
	Loans for emergency relief and rehabilitation	Miscellaneous
**COMMODITY CREDIT CORPORATION		
	Loans to finance the marketing of agricultural commodities	Agriculture
	Loans for the construction or expansion of farm storage facilities	Agriculture
	Guarantee of loans for the marketing of agricultural commodities	Agriculture
DEFENSE HOMES CORPORATION		
	Federal Public Housing Authority of the National Housing Agency	
	Loans for housing in defense areas	Housing
DEPARTMENT OF AIRFORCE		
	Guarantee of loans under Sec. 301 of the Defense Production Act of 1950	Business
*DEPARTMENT OF ARMY		
	Loans to war contractors for production purposes during World War II	Business

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I. PROGRAMS INCLUDED IN THE TABULATIONS (*continued*)

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
*DEPARTMENT OF ARMY (<i>cont.</i>)		
	Purchases of loans guaranteed under Regulation V during World War II	Business
	Purchases of loans guaranteed under Sec. 301 of the Defense Production Act of 1950	Business
	Guarantee of loans to war contractors under Regulation V during World War II	Business
	Guarantee of loans under Sec. 301 of the Defense Production Act of 1950	Business
DEPARTMENT OF COMMERCE		
	Guarantee of loans under Sec. 301 of the Defense Production Act of 1950	Business
*DEPARTMENT OF NAVY		
	Purchases of loans guaranteed under Regulation V during World War II	Business
	Purchases of loans guaranteed under Sec. 301 of the Defense Production Act of 1950	Business
	Guarantee of loans to war contractors under Regulation V during World War II	Business
	Guarantee of loans under Sec. 301 of the Defense Production Act of 1950	Business
*DIRECTOR GENERAL OF RAILROADS and the INTERSTATE COMMERCE COMMISSION		
	Operating loans to railroads under Sec. 7 of the Federal Control Act of 1918 and Sec. 207 of the Transportation Act of 1920	Business
	Equipment trust notes taken by Director General after World War I	Business
	ICC loans to railroads under Sec. 210 of the Transportation Act of 1920	Business
DISASTER LOAN CORPORATION (transferred to RFC in 1945)		
	Loans to victims of floods and other catastrophes	Miscellaneous
ELECTRIC HOME AND FARM AUTHORITY (successor to Electric Home and Farm Authority, Inc.; transferred to RFC in 1942)		
	Loans for sale and installation of electrical and gas facilities and equipment	Agriculture
EXPORT-IMPORT BANK OF WASHINGTON		
	Loans to finance exports and imports and to assist in reconstruction, development, and stabilization of foreign economies	Business
	Loans and participation loans under Sec. 302 of the Defense Production Act of 1950, to private business concerns operating in foreign countries	Business

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I. PROGRAMS INCLUDED IN THE TABULATIONS *(continued)*

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
FARM CREDIT ADMINISTRATION, AGRICULTURAL MARKETING ACT REVOLVING FUND (formerly administered by Federal Farm Board)		
	Loans to cooperative associations to finance construction or purchase of physical facilities or to refinance debt incurred in acquiring such facilities	Agriculture
	Marketing and operating loans to farmers' cooperatives	Agriculture
	Loans to stabilization corporations to support commodity prices	Agriculture
FARM CREDIT ADMINISTRATION, EMERGENCY CROP AND FEED LOAN DIVISION (successor to Crop Production and Seed Loan Office, Department of Agriculture; currently administered by the Farmers Home Administration)		
	Operating loans to owners of small farms in drought- and flood-damaged areas and for other emergency purposes	Agriculture
	Orchard rehabilitation loans	Agriculture
FARMERS HOME ADMINISTRATION (successor to the Farm Security Administration, the Resettlement Administration, and the Rural Rehabilitation Division, Federal Emergency Relief Administration)		
	Loans to facilitate the purchase, enlargement, and development of family-type farms	Agriculture
	Loans to finance construction or repair of farm houses and buildings	Agriculture
	Receivables from individuals purchasing surplus property of rural rehabilitation projects	Agriculture
	Operating and production loans to farmers and stockmen	Agriculture
	Water facilities loans to farmers, ranchers, and cooperatives	Agriculture
	Loans to cooperative associations for rehabilitation purposes	Agriculture
	Production disaster and economic emergency loans	Agriculture
	Insurance of mortgage loans for the purchase, enlargement, and development of family-type farms	Agriculture
FARMERS SEED LOAN OFFICE (transferred to the Farmers Home Administration)		
	Loans to farmers and stockmen to purchase stock in agricultural credit and livestock loan corporations (1931)	Agriculture
FEDERAL FARM MORTGAGE CORPORATION (Land Bank Commissioner)		
	Farm mortgage loans	Agriculture
	Credit extended in connection with the sale of properties acquired through foreclosure	Agriculture

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I. PROGRAMS INCLUDED IN THE TABULATIONS (*continued*)

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
FEDERAL HOUSING ADMINISTRATION		
	Credit extended in connection with the sale of properties acquired through foreclosure	Housing
	Purchases of defaulted Title I notes and of mortgages assigned under various insurance funds	Housing
	Loans to financial institutions insured under Title I, Sec. 2 as authorized by Sec. 3 of Title I of the National Housing Act	Financial Institutions
	Insurance of property improvement loans under the National Housing Act of 1934	Housing
	Insurance of home mortgage loans under the 1934 Act and its wartime and postwar provisions	Housing
	Insurance of mortgage loans on cooperative housing projects, beginning 1950	Housing
	Insurance of mortgage loans on rental housing projects under the 1934 act and its wartime and postwar provisions	Housing
	Insurance of short-term loans to finance production of prefabricated houses after World War II	Housing
	Insurance of mortgage loans on publicly constructed housing sold after World War II	Housing
	Insurance of mortgage loans for housing in critical defense areas after 1951	Housing
FEDERAL NATIONAL MORTGAGE ASSOCIATION		
	Purchases of FHA-insured and VA-guaranteed mortgage loans; before 1948, restricted to mortgages secured by properties constructed after January 1, 1937	Housing
	Mortgage loans, made under FHA insurance, on rental-housing projects	Housing
	Mortgage loans, made under FHA insurance, on Alaskan properties	Housing
FEDERAL SECURITY AGENCY		
Office of Education (currently administered by the Department of Health, Education, and Welfare)		
	Loans to students enrolled in accelerated courses during the war emergency period	Miscellaneous
*GENERAL SERVICES ADMINISTRATION		
	Guarantee of loans under Sec. 301 of the Defense Production Act of 1950 and letters of credit issued to finance the overseas procurement of essential commodities under Sec. 303 (transferred from Defense Materials Procurement Agency)	Business
HOME OWNERS' LOAN CORPORATION		
	Loans to refinance defaulted or distressed mortgages of homeowners, and credit extended in connection with the sale of properties acquired through foreclosure	Housing

(Continued on next page)

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I. PROGRAMS INCLUDED IN THE TABULATIONS (*continued*)

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
HOME OWNERS' LOAN CORPORATION (<i>cont.</i>)		
	Purchases of shares of insured federal and state savings and loan associations	Financial Institutions
HOUSING AND HOME FINANCE AGENCY		
Office of the Administrator		
	Loans to Alaska Housing Authority for residential construction and property improvement	Housing
	Loans to communities and local public agencies for slum clearance and urban redevelopment	Minor Governmental Units
	Loans to local communities in critical defense areas for construction of community facilities	Minor Governmental Units
	Loans made under the War Mobilization and Reconversion Act of 1944 and Public Law 352 for advance planning of large-scale public works	Minor Governmental Units
	Loans to manufacturers of prefabricated housing under Housing Act of 1948 and Public Law 139 of 1950 (transferred from RFC)	Minor Governmental Units
	Loans to educational institutions for housing facilities for students and faculty	Miscellaneous
*INLAND WATERWAYS CORPORATION (successor to Inland and Coastwise Waterways Service, War Department)		
	Loans to states, municipalities, and transportation companies for construction of terminal facilities	Minor Governmental Units
*MARITIME ADMINISTRATION (successor to the U.S. Shipping Board; the U.S. Shipping Board Bureau; and the U.S. Maritime Commission)		
	Construction loans to American shipowners	Business
	Sales of ships on a deferred payment basis	Business
	Insurance of mortgage loans to U.S. shipowners	Business
PRENCINRADIO, INCORPORATED		
	Loans to radio stations in Uruguay	Miscellaneous
	Advances through the Banco de Mexico as trustee to finance the purchase of motion picture production equipment	Miscellaneous
*PUBLIC HOUSING ADMINISTRATION (successor to the Federal Public Housing Authority and the U.S. Housing Authority)		
	Loans to local housing authorities for low-rent housing and slum clearance projects	Minor Governmental Units
	Guarantee of short-term notes and long-term obligations sold to private investors by local housing authorities to finance construction and operating costs of PHA-approved low-rent housing projects	Minor Governmental Units

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I. PROGRAMS INCLUDED IN THE TABULATIONS (*continued*)

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
PUBLIC WORKS ADMINISTRATION		
Federal Works Agency (successor to the Federal Emergency Administration of Public Works)		
	Maintenance and operating loans to railroads	Business
	Loans to states, municipalities, other public bodies, and private firms for construction of civic buildings and other community facilities	Minor Governmental Units
	Loans to limited dividend housing corporations and to states, municipalities, etc., for low-cost housing	Minor Governmental Units
PUERTO RICO RECONSTRUCTION ADMINISTRATION		
	Rural rehabilitation loans to individuals and cooperative associations	Miscellaneous
*RECONSTRUCTION FINANCE CORPORATION		
	Loans to finance storage and marketing of agricultural commodities and for livestock marketing	Agriculture
	Loans to finance exports of agricultural surpluses	Agriculture
	Loans to railroads	Business
	Loans, and participations in loans, to business enterprises, including those engaged in defense production	Business
	Loans to the fishing industry	Business
	Loans for mining, milling, and smelting of ores, including such loans to aid in national defense	Business
	Loans to processors or distributors of farm products subject to processing taxes	Business
	Loans to business through mortgage loan companies and banks	Business
	Loans and participations in loans, to prefabricated housing manufacturers.	Business
	Loans on rationed articles and commodities	Business
	Contract Settlement Act loans	Business
	Loans, and participations in loans, under commitments outstanding when the Smaller War Plants Corporation was dissolved	Business
	Loans, and participations in loans, to business enterprises under Sec. 302 and Sec. 714 of the Defense Production Act of 1950	Business
	Loans to aid in civilian defense as authorized under Sec. 409 of the Federal Civil Defense Act	Business
	Loans to banks and trust companies, savings and loan associations, insurance companies, mortgage loan companies, credit unions, joint stock land banks, and agricultural and livestock credit corporations	Financial Institutions
	Loans to aid in reorganization of closed banks and trust companies	Financial Institutions
	Construction loans to public agencies, including those for defense projects	Minor Governmental Units

(Continued on next page)

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I. PROGRAMS INCLUDED IN THE TABULATIONS (*continued*)

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
RECONSTRUCTION FINANCE CORPORATION (<i>cont.</i>)		
	Loans to establish state funds for securing repayment of deposits of public moneys in banks and other depositories	Minor Govern- mental Units
	Loans to refinance obligations of public school districts	Minor Govern- mental Units
	Loans for payment of teachers' salaries	Minor Govern- mental Units
	Loans for self-liquidating public works	Minor Govern- mental Units
	Loans to drainage, levee, and similar districts	Minor Govern- mental Units
	Loans for relief and work relief under the Emergency Relief and Construction Act of 1932 as amended	Minor Govern- mental Units
	Loans to repair damage caused by floods, tornadoes, and other catastrophes	Miscellaneous
	Deferred participations in business loans, including loans to aid in national defense	Business
	Deferred participations in Contract Settlement Act loans	Business
	Deferred participations in loans made in connection with the transfer of certain functions of the SWPC to the RFC	Business
	Deferred participations in loans authorized under Secs. 802 and 714 of the Defense Production Act of 1950	Business
	Deferred participations in loans for civilian defense authorized under Sec. 409 of the Federal Civil Defense Act	Business
	Subscriptions to or loans on preferred stock, and purchases of capital notes and debentures, of banks and trust companies	Financial Institutions
	Subscriptions to or loans on preferred stock of insurance companies	Financial Institutions
RFC MORTGAGE COMPANY (subsidiary of RFC)		
	Mortgage loans, and participations in loans, for construction or refinancing of income-producing (mainly large residential) properties	Housing
	Loans to distressed holders of first mortgage bonds or certificates on income-producing properties	Housing
	Loans made under FHA insurance, and participations in such loans, for low-cost housing	Housing
	Loans, and participation loans, to owners of business properties adversely affected by war conditions, to assist in meeting debt service and other carrying charges	Housing
	Purchases of FHA-insured and VA-guaranteed mortgages on residential properties; after establishment of FNMA, purchases confined to mortgages secured by properties constructed before January 1, 1937	Housing

(Continued on next page)

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I. PROGRAMS INCLUDED IN THE TABULATIONS (*continued*)

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
RFC MORTGAGE COMPANY (<i>cont.</i>)		
(subsidiary of RFC)		
	Purchases of mortgages on income-producing (mainly large residential) properties	Housing
REGIONAL AGRICULTURAL CREDIT CORPORATIONS		
(transferred to Farmers Home Administration)		
	Short-term production loans to farmers and stockmen	Agriculture
RURAL ELECTRIFICATION ADMINISTRATION		
	Loans for construction of electric facilities, purchase and installation of electrical appliances and plumbing and construction or expansion of telephone facilities in rural areas	Agriculture
*SMALL BUSINESS ADMINISTRATION		
	Loans to victims of floods or other disasters	Miscellaneous
SMALLER WAR PLANTS CORPORATION		
(transferred to RFC)		
	Loans, and participations in loans, to business concerns engaged in production of war goods and essential civilian goods	Business
TENNESSEE VALLEY ASSOCIATED COOPERATIVES, INC.		
	Loans to assist in development of cooperatives in the Tennessee Valley	Agriculture
	Purchases of shares in Tennessee Valley cooperatives	Agriculture
*TENNESSEE VALLEY AUTHORITY		
	Loans to municipalities and cooperative wholesale power distribution companies for the acquisition and operation of power plants and distribution facilities	Minor Governmental Units
*TREASURY DEPARTMENT		
	Loans to District of Columbia for civilian defense during World War II	Miscellaneous
	Loans to District of Columbia for construction of public works	Miscellaneous
	Purchases of shares of federal savings and loan associations	Financial Institutions
*U.S. MARITIME COMMISSION		
(now Maritime Administration, which see)		
	Guarantee of loans to war contractors under Regulation V during World War II	Business
*VETERANS' ADMINISTRATION		
(successor to U.S. Veterans' Bureau)		
	Loans for purchase, construction, or improvement of rural and farm dwellings	Housing
	Credit extended in connection with the sale of properties acquired through foreclosure	Housing

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I. PROGRAMS INCLUDED IN THE TABULATIONS *(continued)*

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
*VETERANS' ADMINISTRATION		
(successor to U.S. Veterans' Bureau) (cont.)		
	Loans to policy holders of U.S. Government and National Service Life Insurance	Miscellaneous
	Guarantee of loans to veterans for the purchase or improvement of farm properties	Agriculture
	Guarantee of loans to veterans for the establishment or expansion of businesses	Business
	Guarantee of home mortgage loans to veterans	Housing
VIRGIN ISLANDS CORPORATION		
Department of the Interior		
	Loans to aid agriculture in the Virgin Islands	Agriculture
	Loans to aid business in the Virgin Islands	Business
WAR FINANCE CORPORATION		
	Loans to cattle raisers under Sec. 9 of the War Finance Corporation Act of 1918	Agriculture
	Loans to livestock loan companies, cooperative associations, banks, and financial institutions under Sec. 24 of the Agricultural Credits Act of 1921	Agriculture
	Loans through banks to public utilities, industrial corporations, railroads, and canning companies under Sec. 9 of the War Finance Corporation Act	Business
	Export advances mainly under Secs. 21 and 22 of the Agricultural Credits Act	Business
	Loans to banks and building and loan associations under Secs. 7 and 8 of the War Finance Corporation Act	Financial Institutions
 <i>B. Federally Sponsored Agencies</i> 		
BANKS FOR COOPERATIVES and the		
CENTRAL BANK FOR COOPERATIVES		
	Operating loans to cooperative associations, and loans to finance the marketing of farm products and for the construction or acquisition of marketing facilities	Agriculture
FEDERAL HOME LOAN BANKS		
	Loans to savings and loan, building and loan, and homestead associations, savings and cooperative banks, and insurance companies that are members of the Federal Home Loan Bank system	Financial Institutions
*FEDERAL INTERMEDIATE CREDIT BANKS		
	Loans to, and discounts for, production credit associations, agricultural and livestock credit corporations, and commercial banks making farm production loans	Agriculture
	Loans to farmers' cooperative associations for production and general farm operating purposes	Agriculture

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I. PROGRAMS INCLUDED IN THE TABULATIONS *(continued)*

<i>Agency</i>	<i>Type or Purpose of Program</i>	<i>Economic Sector Served</i>
FEDERAL LAND BANKS		
	Mortgage loans secured by farm real estate	Agriculture
	Credit extended in connection with the sale of properties acquired through foreclosure	Agriculture
*FEDERAL RESERVE BANKS		
	Loans, and participations in loans, to industrial and commercial businesses for working capital under Sec. 13b of the Federal Reserve Act (beginning 1934)	Business
PRODUCTION CREDIT CORPORATIONS		
	Purchases of Class A stock of production credit associations	Agriculture

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II. PROGRAMS EXCLUDED FROM THE TABULATIONS

† For programs included, see List I, pages 9-18.

<i>Agency</i>	<i>Excluded Program or Activity</i>	<i>Reason for Exclusion</i>
<i>A. Direct Agencies of the Federal Government</i>		
ALASKA PUBLIC WORKS		
Department of the Interior	Partly repayable advances to territorial governments or other public bodies for public works	Approximates more closely a grant than a loan function
†BUREAU OF INDIAN AFFAIRS		
Department of the Interior	Livestock loans made in kind	Data not available
DEFENSE MINERALS EXPLORATION ADMINISTRATION		
Department of the Interior	Advances for costs incurred in development and production of strategic minerals and metals under Section 303(a) of the Defense Production Act of 1950	Lending incidental to developing new sources of mineral supply
DEFENSE SUPPLIES CORPORATION		
	Loans to aid in producing supplies or facilities (or obtaining manpower resources therefor) necessary to the war effort	Lending incidental to procurement and stockpiling functions; apparently not a programmed activity
†DEPARTMENT OF ARMY		
	Credit extended in connection with the disposition of World War I surplus	Credit incidental to liquidation operations
†DEPARTMENT OF NAVY		
	Credit extended in connection with the disposition of World War I surplus	Credit incidental to liquidation operations
†DIRECTOR GENERAL OF RAILROADS		
	Operating loans to railroads under Section 12 of the Federal Control Act of 1918	Annual data not available
FOREIGN OPERATIONS ADMINISTRATION (successor to the Mutual Security Agency, the Economic Cooperation Administration, the Technical Cooperation Administration, and the Institute of Inter-American Affairs)		
	Loans to foreign governments for economic, technical, and military procurement purposes considered essential to the mutual security and defense program as authorized under the Economic Cooperation Act, the Mutual Security Acts, and the Mutual Defense Assistance Act	Loans only to foreign countries or their agents

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II. PROGRAMS EXCLUDED FROM THE TABULATIONS *(continued)*

<i>Agency</i>	<i>Excluded Program or Activity</i>	<i>Reason for Exclusion</i>
FOREIGN OPERATIONS ADMINISTRATION (cont.)		
	Currency transfer guarantees in connection with approved foreign investments of American firms	Guarantees relate to non-lending activities
	Guarantees against loss from expropriation or confiscation of approved foreign industrial investments of American firms as authorized by Sec. 111(b)(8) of the Economic Cooperation Act of 1948, as amended and Sec. 520 of the Mutual Security Act of 1951, as amended	Guarantees relate to non-lending activities
†GENERAL SERVICES ADMINISTRATION		
	Advances to contractors for materials procurement and expansion of productive capacity	Lending incidental to stockpiling activities
	Notes receivable financing in connection with sale of government-owned surplus property	Lending incidental to liquidation operations
	Guarantees, to producers, of sales of machine tools manufactured under pool order agreements	Guarantees relate to non-lending activities
	Guarantees of recovery of construction costs in expanding defense plant capacity	Guarantees relate to non-lending activities
	Investment in securities of public power and irrigation projects (transferred from the Federal Works Agency in 1940)	Avoidance of double counting
†INLAND WATERWAYS CORPORATION		
	Credit extended in connection with the disposition of the Corporation's real property	Credit incidental to liquidation operations
†MARITIME ADMINISTRATION		
	Loans by the U.S. Emergency Fleet Corporation for housing of shipyard workers as authorized by the act of March 1, 1918	Annual data not available
	Loans to transportation and public utility companies for expanding facilities in the vicinity of shipyards during World War I	Annual data not available
	Loans to contractors for repairs and other miscellaneous purposes	Annual data not available
NATIONAL CAPITAL PLANNING COMMISSION (successor to the National Capital Park and Planning Commission and the National Capital Park Commission)		
	Loan for the acquisition of land in Washington, D.C. and its environs (embracing the states of Virginia and Maryland) to provide a comprehensive park, parkway, and playground system for the city as set forth in the George Washington Memorial Parkway Act of May 29, 1930	Annual data not available

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II. PROGRAMS EXCLUDED FROM THE TABULATIONS *(continued)*

<i>Agency</i>	<i>Excluded Program or Activity</i>	<i>Reason for Exclusion</i>
†PUBLIC HOUSING ADMINISTRATION	Credit extended in connection with the disposition of emergency housing erected under: (a) public war housing program of the Lanham Act; (b) veterans re-use housing program of the Lanham Act; (c) homes conversion program; (d) subsistence homesteads and greentowns programs transferred from Farm Security Administration; (e) farm labor camp program transferred from Farmers Home Administration; (f) PWA program; (g) Surplus Property Act loans in connection with the disposition of World War II surplus	Credit incidental to liquidation of government-owned properties
PUERTO RICAN HURRICANE RELIEF LOAN SECTION Department of the Interior (successor to the Puerto Rican Hurricane Relief Commission)	Loans to inhabitants of Puerto Rico for relief from 1928 hurricane damage	Annual data not available
†RECONSTRUCTION FINANCE CORPORATION	Loans to foreign governments	Foreign loans
	Loans to other federal agencies	Interagency activity
	Purchases from Public Works Administration of securities of municipalities and of railroads	Interagency activity
RUBBER DEVELOPMENT CORPORATION	Loans to producers of natural rubber for increasing supply during World War II	Lending incidental to stockpiling operations
†SMALL BUSINESS ADMINISTRATION	Loans, and participations in loans, to small business concerns for working capital expansion, and other purposes	Agency organized in 1953; no disbursements under this program by end of that year
SPRUCE PRODUCTION CORPORATION	Advances in connection with procurement of war supplies	Lending incidental to procurement activities
STATE DEPARTMENT	Loans to indigent Americans stranded abroad	Annual data not available
†TENNESSEE VALLEY AUTHORITY	Credit extended in connection with the sale of Norris village	Credit incidental to liquidation of government-owned property
†TREASURY DEPARTMENT	Loans to foreign governments	Foreign loans
	Loans to other foreign agencies	Interagency activity
	Advances to Federal Reserve Banks for industrial loans	Avoidance of double counting

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II. PROGRAMS EXCLUDED FROM THE TABULATIONS (*continued*)

<i>Agency</i>	<i>Excluded Program or Activity</i>	<i>Reason for Exclusion</i>
U.S. COMMERCIAL COMPANY		
	Loans in connection with the prevention of Axis control of world markets and sources of raw materials	Lending incidental to procurement activities
U.S. HOUSING CORPORATION		
	Credit extended in connection with the disposition of government-owned housing undertaken during World War I	Credit incidental to liquidation of government-owned assets
U.S. INFORMATION AGENCY (formerly administered by the State Department)		
	Guarantees of convertibility of receipts from the production and distribution of informational media in foreign countries as authorized under the Economic Cooperation Act of 1948 and the Mutual Security Act of 1951	Guarantees relate to non-lending activities
†VETERANS' ADMINISTRATION		
	Loans arising from federal guarantees of premium payments on private commercial life insurance held by servicemen as authorized by the Soldiers' and Sailors' Civil Relief Act	Annual data not available
	Loans to disabled veterans enrolled in vocational rehabilitation courses	Annual data not available
<i>B. Federally Sponsored Agencies</i>		
FEDERAL DEPOSIT INSURANCE CORPORATION		
	Loans to, or purchases of assets from, an insured bank to facilitate a merger or consolidation and thereby to reduce the probable loss to the Corporation	Loans incidental to liquidation operations
	Loans to, or purchases of assets from, closed or reopened insured banks in the interest of providing adequate local banking services	Loans incidental to liquidation operations
†FEDERAL INTERMEDIATE CREDIT BANKS		
	Loans to, and discounts for, regional agricultural credit corporations and the central and regional banks for cooperatives	Avoidance of double counting; separate series given for RACC's and BC's
†FEDERAL RESERVE BANKS		
	Advances to, and discounts for, member banks	Involves monetary and credit policies beyond scope of present study

(*Continued on next page*)

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II. PROGRAMS EXCLUDED FROM THE TABULATIONS (*continued*)

<i>Agency</i>	<i>Excluded Program or Activity</i>	<i>Reason for Exclusion</i>
FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION	Advances in the form of reimbursable contributions to distressed thrift and home-financing institutions	Loans incidental to liquidation operations and carry only a contingent repayment commitment
PRODUCTION CREDIT ASSOCIATIONS	Loans for general farm operating and production purposes	Avoidance of double counting. Discounts for, and loans to, PCA's are included under FICB data (see preceding list, section B)

Major Issues Raised by Federal Credit Programs

Although no position is taken in this study on the policy issues raised by federal credit-granting and related activities, the data and analyses which it presents should clarify certain vital aspects of these problems. The major issues involved are the following.

CREDIT EXTENSION AS A FUNCTION OF GOVERNMENT

Perhaps the paramount issue is whether it is appropriate at all for the federal government to engage in direct lending or in credit-insuring or guaranteeing activities. Different people, with different conceptions of the proper role of government in the social and economic process, can take quite widely separated views on this essentially controversial question. But it should be clear to all that the question cannot be debated fairly unless the precise nature and objectives of the various credit programs are understood. The fact is that the programs represent attempts to solve a number of different types of problems, and one's views as to whether they are a proper function of government may well vary from one to another. What have these purposes been?

The most familiar was to counteract depression. To some extent federal lending was used for that purpose directly after World War I, but not until the thirties was it employed extensively to that end, notably in the operations of the Reconstruction Finance Corporation. It was thought that this agency, set up in 1932, could counteract depression by extending credit to businesses in key sectors

of the economy: specifically, by aiding commercial banks and insurance companies, and certain large and ramifying businesses such as railroads. The inadequacy of that policy was soon recognized, however, and the scope of RFC's lending authority was widened to accommodate any enterprise in which there was an apparent need for credit, provided there was some prospect that the loan would increase employment and provided there was sufficient security to assure its repayment. With the improvement in economic conditions after the mid-thirties the counter-cyclical objective of federal lending tended to be displaced by other purposes, but it came to the surface again in 1937-1938 and in 1949-1950 as the demand for financial assistance from concerns experiencing economic adversity increased sharply.

The second major objective of federal credit programs has been to provide needed credit services which are held to be unavailable, for one reason or another, through the private financial system. This is the "gap" basis of governmental action, and it has been present to some degree in nearly all federal programs. It is related to the counter-cyclical purpose in the sense that gaps are likely to appear most exigent during depression conditions, but it goes further. The argument is frequently made that some sort of federal action is needed, even in times of economic prosperity, to supply credit to small or beginning enterprises, on the ground that their needs are inadequately met through private financial channels. Sections of the text dealing with the services of federal and federally sponsored agencies present much data useful in appraising the extent to which the various programs have filled gaps in the credit system, and for judging the merits of the arguments that revolve about these activities.

Emergency conditions have provided a third basis for federal extension of credit. In a sense, they too are gaps, but here there is no thought that private financial agencies should provide the needed credit services. The most familiar emergency credit programs arise from war conditions; others are called into action by calamities of nature—floods, tornadoes, and the like. RFC loans to war contractors, the guarantee under Regulation V of similar loans made by private lenders, and RFC's wartime programs of small loans to finance mineral exploration and of loans to dealers whose inventories were frozen in connection with the control of strategic materials exemplify the first; RFC's disaster loans and orchard re-

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habilitation loans exemplify the second. Clearly, one's views as to the need for particular programs of this type will depend on one's appraisal of the seriousness of the emergency and the merits of attempting to meet it by a credit program. And there is also the possibility to be kept in mind that a program may outlast the emergency conditions that brought it into being. One aim of the materials that follow is to show what types of services have been provided by the credit programs stemming from such emergencies.

A fourth general objective underlying federal credit activities is the desire to give preferential treatment to some group or industry. Falling within this category are direct loan and loan guarantee programs for veterans, loans to municipalities for low-rent housing, loans and loan insurance for the shipping industry, farm purchase loans for tenants and relocation loans for owners of underimproved farms, and loans for students, Indians, cooperative associations of various kinds, and persons displaced by such federal activities as slum clearance. These programs vary widely and are not always clearly separable from those intended to fill gaps in the private financial system or to meet emergency needs; yet they have two distinguishing characteristics: the service is available only to a specifically defined group—often only for specified purposes—and on terms which, by deliberate policy, are usually more liberal than could be had for comparable credits in the competitive market. Whether such programs are a proper function of the federal government is obviously not an economic question, but their cost and their economic effect is; accordingly, these aspects will be discussed at appropriate points.

THE EFFECT OF FEDERAL CREDIT PROGRAMS ON THE ALLOCATION OF ECONOMIC RESOURCES

It is presumably possible for the federal government, by focusing credit on specific areas, to influence the allocation of economic resources among different sectors and groups. The second major issue raised by federal credit activities, therefore, is whether they have in fact, caused resources to be allocated through the community in a manner significantly different from what would have resulted if credit had been available only through the channels of private finance, and if so, whether the changes have promoted the general welfare. More resources may be held in agriculture, for example, than would otherwise be employed in that sector of the economy. More resources

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may be placed in the hands of small and medium-sized businesses than these firms would command if only the funds of private lenders were at their disposal. Specific industries, or industries located in specific regions of the country, may be stimulated to expand output over what would be produced if credit from public sources were unavailable. A much argued point is whether the federal government, through credit extensions, should allow further access to economic resources to firms which have not prospered and which, lacking this aid, might be forced to liquidate. Although it is not the purpose of the present study to judge whether the public interest is served by such reallocations of resources, the factual materials bearing on their nature and extent—presented especially in Chapters 3 and 5 of Part I—should permit more informed judgments to be made on them.

THE ECONOMIC IMPACT OF FEDERAL CREDIT ACTIVITIES

The third major question raised by federal credit activities concerns their broad economic and financial effect. For example, have they been effective in bringing about economic recovery when used for that purpose? Have they had undesirable inflationary or deflationary effects? Have they been effectively coordinated with the stabilization activities of other agencies of government?

This range of questions is dealt with for all credit programs as a whole in Chapter 5 of Part I, and for the programs affecting the specific areas of agriculture, business, and housing in Chapters 6, 7, and 8 (Part II). They are exceedingly troublesome questions, for there is no fully satisfactory measure of the impact of federal credit activities on economy. Credit programs produce their effects simultaneously with those of other forces, and it is never possible to determine exactly what part of the joint effect may be attributed solely to them. However, the general quality of their effect can be ascertained; and it can be determined whether they have been effectively coordinated with the programs of other governmental agencies, or have been to an appreciable extent in conflict with them. This much the study attempts to do.

THE ORGANIZATION OF FEDERAL CREDIT AGENCIES

Finally, the possibility that federal credit programs have conflicted with other programs aimed at influencing economic activity raises questions as to how government should be organized to administer credit activities. This issue, also, involves more than purely

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economic considerations. Hence the present study cannot undertake to provide answers; but it may clarify certain aspects of the organizational problem by revealing the variety of programs involved and by showing how they differ, one from another, in terms of the credit services which they offer. Only with these facts in mind can specific reorganization proposals be properly evaluated.