

tomers a wide variety of services. Attempts have been made in the past to require that commercial banks pay interest on Government deposits and that the Government in turn pay for the services performed by the banks.

If you will notice your report of the Federal Reserve System each year you will find where the Government has compensated the Federal Reserve for services performed by the Federal Reserve, out of pocket, out of the agencies, millions of dollars. Each agency reimburses the Federal Reserve for this.

The commercial banks have successfully lobbied against any such charge on Government deposits. For they realize that the services they perform for the Government are so small that they would in no way cancel out the money the banks would have to pay the Government on deposits.

It is time that our Government begin to collect on the multibillion-dollar deposits subsidy enjoyed by the banks. I do not concede for one moment that banks are losing money on student loans, and the record profits for banks in 1966 bears out that contention.

But even if the banks were not making a profit on these loans, the huge Government subsidy in the form of interest-free accounts is designed to offset any loss that banks might incur in providing services for the Government.

I am proud of the credit unions in the great State of Texas that I have the honor to represent in part; just one district. Not so long ago the legislature was considering a Small Loan Act and was giving all financial institutions an opportunity to raise their interest rates 10, 15, 25, 30, 40 percent.

The credit unions of our State went down there in buses, hundreds and thousands of them, just stormed the capitol and said:

We don't want rates like that. We only want that traditional rate, one percent a month, which averages out six percent true rate as they are paid. That is all we want. Exempt us from this legislation.

The legislature was persuaded by their pleas and by the hundreds of buses and tens of thousands of people who came in there and granted their request. They didn't want any part of it. And I congratulate them for it.

Congressman Gurney mentioned yesterday his concern over the subsidies being handed out by the Federal Government. I think Mr. Gurney need look no further than the legislation presently before you to find one of the most nonessential subsidies in operation today.

If Congress would do away with the subsidy in the form of non-interest payments on Government accounts, and require that the banks pay interest on these accounts, the money that would be forthcoming to the Government would provide an excellent revolving fund from which to make student loans, and thereby bypass the banks altogether.

And since the banks have made it clear they are losing money on these loans, they could not object to a direct Government loan program that bypasses the private lender.

If commercial banks were required to pay interest on Government deposits at a 4-percent rate, under present balances maintained by Treasury in commercial banks, it would mean a payment to the Government of \$200 million a year.