




# Washington Merry-Go-Round by JACK ANDERSON

WASHINGTON — The federal government keeps billions of dollars of the taxpayers' money in banks run by Republican bigwigs.

The banks don't pay a penny in interest. Yet they loan the money back to ordinary Americans at rates up to 14 per cent. Their profits from this unique arrangement run into the millions each year, far more than it costs them to process the government accounts.

Even by the Treasury's conservative estimate, federal deposits in commercial banks range between \$1 billion and \$10 billion. Probably 12,000 of the 13,000 eligible banks have some kind of no-interest federal deposits, but the golden gravy is concentrated in the big GOP banks.

Take, for instance, the case of Charles Walker. Back in 1955, he became an executive of the Republic National Bank in Dallas. The bank suddenly started receiving big, interest-free federal deposits after he joined the Eisenhower Administration in 1959 as an assistant to the Treasury Secretary.

Now Walker is back at the Treasury as its Undersecretary. Coincidentally, Republic National's bank balances last year show it had a whopping \$56 million in federal deposits.

Among the biggest federal deposits are withholding tax collections, which usually are paid directly to the banks by employers. The money is credited, of course, to the accounts of the U.S. Treasury. Thus, in effect, the IRS collects the taxes and turns the money over immediately to the banks for use for loans.

### BORROWS OWN MONEY —

The banks pay the taxpayers nothing for the use of their money, then loan the money back to them individually at high interest rates. The harassed taxpayer, who needs to borrow money to pay his taxes, winds up paying interest to a bank for the use of his own money.

The Treasury's fiscal manager, Assistant Secretary John Carlock, swore to us politics has nothing to do with which banks get federal deposits. Employers deposit their workers'

withholding taxes, for example, in the banks of their choice.

He acknowledged most government agencies deposit money — appropriated funds, some Indian trust funds, operational money for PXs and the like — in selected banks. But he insisted the banks were chosen for the services they provide.

Nevertheless, banks with good GOP connections seem to be blessed with the most interest-free federal money. Nor has there been any move by the Republicans, despite the federal budget squeeze, to end this bonanza for the banks.

A former mortgage banker, Martin Price, suggested in a "Washingtonian" magazine article that federal deposits should be allocated to banks which will use the money to promote social aims. This would include loans to help small businessmen, to stimulate the economy in depressed areas and to build up ghetto neighborhoods.

We retained Price to find out which banks receive the most federal deposits. Here are highlights from the research he completed for us:

● Chase Manhattan, one of the most progressive of the giant banks, is controlled by the Republican Rockefeller family. One of its directors, Jeremiah Milbank, Jr., happens to be the GOP national finance committee chairman. Treasury Secretary John Connally once negotiated a loan for more than \$30 million from Chase Manhattan to pay the taxes on the estate of Texas oil millionaire Sid Richardson. Last year, Chase Manhattan had more than \$200 million in federal deposits.

### AGNEW'S BANKER FRIEND

● One of Vice President Agnew's favorite banker cronies is George Moore, a dependable Republican contributor, who retired last year as chairman of the First National City Bank of New York. This bank had well over \$300 million in no-interest deposits from the government.

● One of the party's most sagacious financiers is Harold Helm, a member of the GOP's booster club and New Jersey finance committee. He is also executive committee chairman of the Chemical Bank in New York City, which had \$40 million in IRS accounts, in this case,

without even putting up collateral.

● Alan Merrill, a member of the GOP national finance committee, is also an advisor to the National Bank of Detroit. His bank had \$56 million in interest-free federal funds.

● Keith Brown, another big GOP fund raiser, is a director of the medium-sized Southern Arizona Bank. Yet it had almost \$2.5 million in federal accounts from tax collections and U.S. security sales alone last year.

● Former Treasury Secretary David Kennedy, now an Ambassador at Large, came to the Treasury from the Continental Illinois National Bank and Trust. This bank had at least \$19 million in juicy government deposits.

Clearly, it doesn't hurt a bank to have a Republican fund-raiser on the board.

Footnote: In a frank talk with my associate Les Whitten, Carlock charged many of the figures dug out by Price were "authorizations for deposits," not actual deposits. Balance statements indicate, however, that the totals were actual deposits. Carlock said the banks weren't charged interest for the use of the taxpayers' money to compensate them for doing federal banking. As for distributing federal deposits to promote social aims, Carlock said wryly it was hard enough to get services now from the banks in return for the interest-free money, without trying to supervise their social loans.