

business is least profitable to lenders, and the cost of carrying which pushes up rates for other borrowers.

Precedents for Government Action

Businesses operating for profit can hardly be expected to go far beyond what they regard as economically feasible, for the sake of fulfilling a socially desirable need or one that is in the national interest. The Government has long recognized this, and has stepped in to fill gaps of this kind, making available loans at low interest rates, either by guaranteeing loans made by traditional lending institutions or by setting up agencies which make loans directly. This is sometimes spoken of as, "Increasing the effectiveness of monetary action through ensuring the availability of credit. . ." For more than two decades the Industrial Development Bank has provided capital-type loans to small and medium sized firms. The bank is authorized to lend or guarantee loans of money to persons or corporations when

... "15 (b) credit or other financial resources would not otherwise be available on reasonable terms and conditions. . ."

Under the Farm Improvement Loans Act, in effect for roughly the same length of time, the Government guarantees farm improvement loans, provided that certain conditions are met. The maximum loan, originally \$3,000, has been successively raised until it is now \$15,000. The Veterans' Business and Professional Loans Act of 1946 provided for loans up to \$3,000, and guaranteed loans for prairie farmers — with the original maximum of \$1,000 now raised to \$3,000 — are available under the Prairie Grain Producers' Interim Financing Act, 1951. The Prairie Grain Loans Act (1960) guarantees loans up to \$1,500 to actual producers. For more than thirty years there has been legislation providing mortgage loans to fishermen, and since 1955 the Fisheries Improvement Loans Act has made available government guaranteed loans of up to \$4,000.

Fishermen's loans may be obtained from banks, credit unions, caisses populaires or other designated cooperative credit societies. Most of the other guaranteed loans are made through chartered banks, with the government, as a rule, undertaking to make up any losses as well as to pay the cost of administration.

The Farm Credit Act of 1959 set up the Farm Credit Corporation, which makes low-interest loans to farmers whose farms are mortgaged "and whose experience, ability and character are such as to warrant the belief that the farm to be mortgaged will be successfully operated."