From Phyllis Schlafly December 20, 1983

BRAZIL AND THE FOLLY OF BAD LOANS

There's an old saying that, if you lend a man some money, you make an enemy for yourself, not a friend. Instead of being glad to see you, he will cross the street to avoid meeting you lest you ask him when the loan will be repaid.

Nothing in all history can match the generosity of Americans in taxing themelves to send foreign aid to more than a hundred countries all over the world, some of which most U.S. citizens never even heard of. Our foreign lending policies didn't buy us any friends; we count ourselves lucky if those countries like us as well after they got our cash as they did before.

Foreign aid appropriations usually coast through Congress with a minimum of controversy. Although foreign handouts would never pass in any referendum, and wouldn't even score in an establishment public opinion poll, the special interests in favor of foreign handouts are well organized and successful, year after year.

This year, however, grassroots voters made a valiant effort to assert themselves in opposition to the most recent demand for foreign handouts: the appropriation of $8.6 billion to the International Monetary Fund. The avowed purpose of the $8.6 billion was to bail out the Third World and Communist countries which are so broke that they can't even make the interest payments on [redacted] on their foreign loans.

Although the IMF bailout became a bitter issue, in the end the big banks, the big financial interests, the big media, Speaker Tip O'Neill, and the Reagan [redacted] Administration were too powerful a consortium for individual Congressmen to buck. After all, only the voters were [redacted] on the other side.

The chief beneficiary of the IMF bailout is Brazil, which has the largest foreign debt of any country in the world: a staggering $92 billion. Are the Brazilians grateful for our help?

According to the New York Times, "leading Brazilians both inside and

outside the government blame Western banks for heaping an insupportable burden of loans on the country." So that's what we get for our generosity! They blame us for lending them money!

It's bad enough that the ten big U.S. banks loaned money to Brazil on more favorable terms than American businessmen and farmers could get; it's bad enough that the big banks rolled over the bad loans when Brazil couldn't even pay the interest much less the principal, while many U.S. businessmen and farmers were forced into bankruptcy; it's bad enough that the American taxpayers are forced (through the IMF bailout) to help the Brazilians make some interest payments in order to preserve the fiction that the loans are still "active" instead of (in the euphemistic jargon of the bankers) "nonperforming." But now we are told that Brazilian economic problems are our fault because America lent them too much money!

Brazil was supposed to be a modern economic "miracle," the classic example of how loans from rich Western nations could lift a poor, agrarian economy into the modern, industrial 20th century. These loans were supposed to raise the standard of living of an underdeveloped country and create a vast new market for American goods.

But somehow common sense got lost in the shuffle. Real productivity and prosperity are created by hard work (as practiced by the Asians), not by loans to bureaucrats and technocrats to devise grandiose and extravagant government spending schemes.

The Brazilian bureaucrats/technocrats built enough power plants to produce more power (hydroelectric, nuclear and coal) than Brazil will need through the year 2000. They built a new multibillion dollar railroad, with costly bridges and tunnels, instead of repairing an older railroad at far less cost.

The Brazilian bureaucrats/techocrats established government-owned companies in competition with privately-owned steel, oil, banking, heavy construction, mining, and transportation companies. When the recession forced layoffs, losses and bankruptcies in private businesses, the state-owned companies were protected in their inefficiencies and overstaffing.

Brazil apparently fell for the fallacy that it could live beyond its means [redacted] and spend itself into prosperity.

Fortunately, it has the United States to lend a helping hand again. But who will rescue America if we continue our tremendous annual federal deficits?