P.S. to the NEWS
by PHYLLIS SCHLAFLY

Box 618, Alton, Illinois 62002
Phone: 618-462-5415

RELEASE: February 8

BUSINESS LOAN TERMS

If you go to your bank to float a business loan, the bank will fully investigate your credit history and your plans to repay the money. If you pass this financial third degree, then you get around to terms. If you are a blue-chip company such as General Motors, you can borrow the money at the prime rate which is 9½ percent; if not, the interest rate will be 11 percent.

About 40 percent of your investment will have to be your own money; the bank will lend only about 60 percent. How about the duration of the loan? 10 to 15 years if you secure the loan with a mortgage on saleable real estate; only about 5 years if you have good non-real-estate security.

Now, look what a different reception the Russians received when they borrowed U.S. money to build the largest truck plant in the world and a tremendous fertilizer plant.

First, their previous record of not paying their $11 billion lend-lease debt was totally ignored. Second, instead of paying 11 percent interest which Americans must pay, the Russians are paying only 6 percent. On a $100 million loan, this means a cash saving of $5 million per year.

Third, the Russians have to provide only 10 percent of the funds themselves, instead of the 40 percent the American borrower must invest. Finally, the Russians can get 20-year loans, about double the time an American borrower might get.

For the Russian loans, 45 percent is advanced by the

(more)

Export-Import Bank, which means that it comes from the U.S. Treasury, that is, straight out of the pockets of U.S. taxpayers.

The other 45 percent comes from commercial banks. How can they afford to tie up so much money for so many years at half the current interest rates? By forcing their other customers to make up the difference.

This is the conclusion of Professor Marshall I. Goldman, head of the Department of Economics at Wellesley College, who doubles as consultant to the Russian Research Center at Harvard University. Noting that there is no security for our loans to the Soviets, Professor Goldman said: "If I were a stockholder, an officer, or director of these [lending] outfits, I would go out of my mind."

Professor Goldman is right. The way the Russians have rooked the American taxpayers, with the connivance of the Export-Import Bank and certain international banks, is enough to blow your mind.

Mr. Goldman also brought out that, prior to the recent deals with the Russians, the longest loan agreement the Export-Import Bank ever made was for 12 years. He said, "If we make only 12-year loans to the Japanese, what sense does it make to give the Russians 20-year accommodation?"

It makes absolutely no sense. Nor does it make sense for the American people to be taxed to help build a plant which will not be workable for 20 or 25 years and will be on Soviet territory, subject to total Soviet control. Anybody who tried to foreclose on a plant on Soviet soil would quickly discover what an immovable object really is.

(end)