P.S. to the NEWS
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## BAD LOANS TO IRAN

If your local banker loaned 10 percent of his bank's equity to a company against which there was absolutely no way to repossess anything if the company defaulted, and which might at any time change to hostile management and repudiate the loans, what would you think of your local banker's business judgment? Would you keep your money in his bank?

Don't worry; your local banker didn't do anything so foolish as that. He has too much regard for the safety of his depositors' and stockholders' money, and he is too sensitive to the task of maintaining their good will and esteem. Such mistakes as those are made only by the big banks which have so much money that they think they don't need to be concerned about what their depositors or stockholders think.

The nation's largest banks seem to believe they can loan hundreds of millions of dollars to foreign countries without requiring the security (collateral) demanded of American borrowers. And what if the loans go sour? That's easy. Just shift the loss onto the taxpayers.

The nation's largest banks have $3.3 billion now outstanding in Iran in loans, letters of credit, and other commitments. That's about 10 percent of the equity capital of the nation's ten largest banks. Their prospects of being paid back are bleak.

According to Middle East expert Professor Marvin Zonis, Chase Manhattan of New York, the largest lender, has 15 percent of its equity capital in Iranian loans. The other giants with 10 percent of their equity capital tied up in loans to Iran include Chemical, Manufacturers Hanover, Bank of America, and Crocker.

Zonis is director of the Center for Middle Eastern Studies at the University of Chicago and is a frequent visitor to Iran. The U.S. Comptroller of the Currency agrees that U.S. banks have $3.3 billion of "exposure" in Iran, but suggests that this sum is spread among more than ten banks. Not surprisingly, the banks themselves are keeping close-mouthed about the Iranian loans.

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The loans to Iran by U.S. banks include $2.2 billion to the Iranian government, $945 million to Iranian banks, $856 million to public borrowers, and $456 to private borrowers. This doesn't count an additional $1 billion outstanding on other commitments and another $690 million owed by the private sector.

So why don't we attach Iranian assets in the United States as payment or security for their loans? Because they are only a pitiful percentage of the value of the loans. As Zonis commented, that option is purely "academic."

One wonders how men who are smart enough to be the heads of banks with billions of dollars of assets can make blunders of such magnitude. One possible explanation for their strange business judgment is their failure to understand that other people may have motives and values different from their own.

In the weeks before Iran fell, the attitude of most businesssmen, bankers, and oil producers was that it didn't make much difference what happened to the Shah because any Iranian government would be glad to sell its great national product (oil) and business would go forward as usual. The typical businessman or banker simply doesn't understand people to whom ideology is more important than making money (like Ayatollah Khomeini, for example, or Brezhnev).

These giant banks are the same ones which extended at least $2 billion in uncollectible loans to Panama. After it was clear that the Panamanian government was bankrupt and spending more than a third of its income in debt service, the Panama Treaty was devised as a means of diverting Canal tolls from the United States into Panamanian coffers so that the overextended banks could be paid.

The same big banks that made bad loans to Panama and bad loans to Iran, and have extended billions of dollars in uncollectible loans to European Communist countries, are now falling all over themselves in trying to be "firstest with the mostest" in extending loans to Red China.

Anyone who want to lend his own money to Red China is welcome to do so. But the taxpayers should make it clear that our tax money will not be used to subsidize such bad business judgment or to save the lenders from their own folly. And bank depositors and stockholders should give the same message to their own banks' management.

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