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BAILING OUT THE BANKS WITH POLISH LOANS

Over the last ten years, a handful of the biggest, richest banks in America, including such giants as Chase Manhattan, Citibank and Morgan Guaranty, made large loans to Communist Poland. Those loans could never have been justified by any usual commercial criteria. The vast majority of American bankers refused to make such loans because the borrower (Poland) was a bad credit risk, and because most bankers practice a generally conservative management (conservative is used here in the sense of a very careful handling of other people's money).

Any American businessman who borrows from a bank for business purposes knows what kinds of information he must supply, supervision he must accept, collateral he must provide, and high interest rates he must pay. Poland simply could not or would not meet those standards, but the big New York banks lent the money anyway. Why? That's a very interesting question that has never been fully answered.

One reason may be their internationalist mindset that King Money will transcend all ideology (Communist as well as non-Communist) and power relationships (Soviet-bloc as well as Western bloc). Another reason is that the big banks secretly arranged for the U.S. Government to guarantee their bad loans.

Many of us (including the writer of this column) have been predicting for years that these loans would eventually prove to be bad, but the billions of Western dollars kept pouring into Communist countries anyway, and Congress kept voting the guarantees through an intricate network of international lending agencies.

The moment of truth came after martial law was imposed in Poland. That unhappy country came to the brink of default on the $25 billion owed to Western countries, of which $1.6 billion was owed to the big U.S. banks. It became clear that Poland not only could not pay the principal, it could not pay even the $396 million interest due U.S. banks.

So, the Reagan Administration came to the rescue of the big banks, agreeing recently

to pay the Polish debt with U.S. taxpayers' money, starting with an immediate payment of $71 million. (This action was secret until flushed out by the news media.) This is the same Reagan Administration that has been talking tough about sanctions on Poland -- and talking tough against bailouts of U.S. cities with irresponsible fiscal policies or of corporations staggering under the competition of foreign imports.

The Administration claims that the payment to the big banks is legal, indeed that it is required, because the loans were guaranteed through various federal lending programs such as the Commodity Credit Corporation. That is not at all clear. The law says that the foreign country must first be declared to be in default before our government has to make good on the guaranteed loans, and that has not happened.

The banks argue that this is a good deal for the West because saving Poland from default will enhance the chances of the West getting future payments from Poland. If Poland defaults, the banks argue, the Polish regime might just write off the entire $1.6 billion owed to U.S. banks.

Well, that's the price those banks and their stockholders should pay for bad management and irresponsible loans. During the last five years, the federal bank examiners have closed or forced into merger some banks and savings and loan institutions because of loans that proved later to be losers, but which, when made, were not a fraction as risky or irresponsible as loans to Poland.

The banks also make the phony argument that we should put up U.S. taxpayers' money in order to keep the Soviet Union from having to bail out Poland. On January 6, the Russians granted Poland $3.4 billion on easy credit terms, but specified that it was not to be used to pay interest on Western loans.

If the big banks take a big loss on their Polish loans, the innocent depositors will not suffer. The loss would be the stockholders', who can lodge their justifiable complaints against the boards of directors.

The big promoters of easy, no-collateral, low-interest loans to Communist countries should pay for their own mistakes. There is no reason why the taxpayers should pay for those mistakes. The Reagan Administration should push to the letter of the law to avoid paying anything we don't have to pay, and it should stop immediately all such future U.S. handouts to Communist countries disguised as "loan guarantees."