

New bankruptcy wave hits City of London

by Chris White

Two weeks before the British general election, called for April 9, the City of London plunged into its deepest financial crisis since the so-called secondary banking sector crisis of the summer and fall of 1972. London has become the epicenter for new financial storms about to sweep across the world. This time, unlike 1972, there is nothing "secondary" about the institutions that are being dragged down.

Four real estate-based groups have now entered insolvency. They include the \$20 billion Olympia and York owned by Toronto's Reichmann brothers, now facing bankruptcy; Britain's second-largest privately held company, Heron International Group, unable to pay its debts coming due; a London U.K. property company, Randsworth Trust, which is already in bankruptcy liquidation; and the Speyhawk group.

The four are the first visible casualties of the collapse of the speculative bubble in real estate, not just in London, but also in Canada and the United States. In the City of London, prices of real estate have declined by 50% from their peaks, as they have, implicitly, in New York, since Citicorp agreed to sell an office complex to the German publisher Bertelsman at a 50% discount. What had been a \$40 billion per year lending market for international bankers, in London alone, has collapsed to nothing, with the big question remaining, which banks have accumulated the loan exposure?

Stock market instabilities have erupted in London and Toronto in the wake of the property insolvencies. Chief among the stocks affected are those of the banks.

The bankrupt and insolvent companies are on the crest of a new wave of financial collapse now threatening in London, Toronto, Montreal, New York City, and Israel.

Already the central banks of Britain, Canada, and the United States are collaborating to prevent the insolvency of Olympia and York from spilling over into a systemwide fi-

ancial crisis. This has been spelled out publicly by officials at the Canadian Finance Ministry, who have reported that their involvement in the company's affairs is to prevent disastrous financial spillover effects. On April 6, three days before the British election, the company is to meet with representatives of its creditors, and reveal just how bankrupt it is.

Dope, Inc.'s Olympia and York

Olympia and York is at least \$20 billion in the hole. It is also near the center of the complex of British and American financial institutions identified in *EIR's* 1978 bestseller *Dope, Inc.* as inseparable from the financial organization of the international drug trade. Creditors of Olympia and York, such as the Hongkong and Shanghai Banking Corp., Canadian Imperial Bank of Commerce, and Barclays Bank, also featured in that book, are among the select group of international banks expected to be most affected by the company's losses.

Olympia and York, run by the three Reichmann brothers, is part of a financial-political combination based in Canada which also includes the interests of the Bronfman liquor family, such as the Bank of Montreal, another Olympia and York creditor, and the Trizec Corp. which, together with Olympia and York, is at the top of the league of commercial real estate owners in North America. Conrad Black's Hollinger Corporation, a Chinese-funded international press and influence-peddling syndicate, which groups Bronfmans, Reichmanns, Henry Kissinger, and Lord Carrington on its board, is a third part of the combination. Black began, the first week in April, to sell off chunks of his London press empire, such as his holdings of the Express group, to raise funds.

Core of financial world is threatened

Unlike the crisis of 1972, this time it is the core of British-

led international finance which is threatened by what is developing in London.

What makes the new phase of financial collapse different than those of 1987 and 1989, is that the powerhouse economies of Germany and Japan, on which London and New York financial interests have parasitized for years, are also now undergoing decline. Their decline underlines the prescience of warnings issued by U.S. Democratic presidential contender Lyndon LaRouche, early in 1990, when he told opponents of his Paris-Berlin-Vienna "Productive Triangle" plan for the integration of the economies of the former Soviet empire into western Europe, that the consequence of their actions would be to kill "the goose which lays the golden eggs." Those in the United States and Britain, LaRouche warned, who opposed his policy for central and eastern Europe, were thereby putting their countries on the path to national suicide.

That's a lesson that ought to be learned in Canada, among other places. There, journalist Diane Francis of the *Financial Post* considers the reunification of Germany to be among the causes of the collapse of the Reichmanns' international real estate empire. What stupidity! Thanks in part to the assassination of leaders like Albert Herthausen and Detlev Rohwedder, Germany adopted the kind of policy which the Anglo-American financial crowd, typified by the Reichmanns, insisted on. This crowd includes Britain's Margaret Thatcher, and the financial interests in Britain, Canada, and the United States represented by the consulting firm Kissinger Associates.

The Reichmanns of Olympia and York were prominent among the funders of the various subversion operations launched against the nations of eastern Europe, in the name of Adam Smith's "free trade" cult doctrine. So they backed Mark Palmer's Central European Development Corporation, and the Hungarian operations of George Soros.

Now it seems, Kissinger and his friends may be about to get their come-uppance. This time, Germany and Japan will not be there to bail them out.

Contraction in Germany and Japan

Germany, which adopted a policy of looting the former eastern zone instead of LaRouche's infrastructure-based development approach, is now in the midst of a collapse of its most important export markets. Over the last year, exports to eastern Europe declined by 29%, while imports from the east collapsed by 60%. Exports to the former Soviet Union collapsed by 35%. In the states of the former eastern zone, production is running more than 50% below the levels of a year ago, and industrial employment has collapsed by one-quarter to one-third. The collapse has fueled a terrific expansion in public indebtedness.

It is not so different in Japan. There, the government of Kiichi Miyazawa has unveiled a seven-point program, based on accelerating the pace of government public works spending to offset the economic contraction which began in Japan during the fourth quarter of last year. There also, real estate prices

have begun to decline for the first time in 17 years, and the current collapse of the stock market, below 20,000 on the Nikkei index, threatens the viability of some among Japan's banks. The international contraction will cut off some of the banks which have used Japan as their piggy-bank for the financing of their usurious and speculative deals.

The contraction in Germany has immediate effects across Europe. Since Germany is the economic powerhouse for Europe, its slowdown will now begin to detonate crises everywhere else. This is already showing up.

In Italy, where Finance Minister Guido Carli recently announced that the state's deficit will exceed \$130 billion over the next year, runs have developed against the Milan stock exchange, and against holdings of the state's debt. Upcoming elections will usher in a new wave of financial and economic crises too. And, in Sweden, where the Foersta Sparbanken recently announced the biggest one-year losses in the country's history, amounting to 11% of its loans, the country is facing a massive 150 billion kroner loss for its banking and finance in the coming year.

The jig is up

This deepening depression and financial crisis now erupting across the developed countries is the context for the spreading insolvency crisis among Anglo-American financial institutions. Led by Kissinger and company, they opposed LaRouche in 1982 when he proposed, through the plan known as "Operation Juárez," the economic and financial reorganization of the Americas. They chose genocidal looting to service the debt, and launched a drive to jail LaRouche. They insisted that the same genocidal looting be applied against the newly freed economies of eastern Europe, beginning in 1989.

Now, they are running out of places to loot. The crisis reflected in the insolvency of Olympia and York, Heron International, and Randsworth Trust is driven by the collapse of the speculative real estate bubble in London and New York. In both financial centers, prices are down by 50% for real estate, which is the collateral for tens of billions of dollars of debt, and cash flow, in the form of rent payments on commercial properties, is drying up. Crown jewels of the Reichmann empire, like 320 Broadway in New York City, stand 98% empty. It may not be too long before the banks which financed their speculative extravaganzas, like Citicorp., Canadian Imperial Bank of Commerce, Royal Bank of Canada, Chemical Bank, Barclays, and many more, begin to feel the heat themselves.

After London, it will inevitably be New York. Olympia and York, after all, is the largest commercial property owner in New York City. When the creditors determine how much the company is actually worth, they will be, in effect, fixing discount prices for most of the prime commercial properties in the United States as well. There are not too many U.S. banks or insurance companies which will be able to survive the bankruptcy writedown which is now surely coming.