

The fall of the House of Bronfman

by John Hoefle

Olympia & York put its massive Canary Wharf development in London into bankruptcy on May 27, just two weeks after the bankruptcy of its Canadian operations, and the bankruptcy of its U.S. real estate operations is now inevitable. O&Y's failure has devastated the Canadian financial and real estate markets, and no one is feeling the pinch more than the Bronfman family, whose corporate interests dwarf those of their protégés, the Reichmanns.

The leading edge of the Bronfman troubles is the Edper Group, a conglomerate of some 500 private and 40 public companies with assets of over \$80 billion. Edper's publicly traded companies account for over 10% of the capitalization of the Toronto Stock Exchange. Edper, the vehicle of Edward and Peter Bronfman of Toronto, is in many ways quite similar to O&Y: It is tightly controlled, secretive, seriously indebted, and has massive real estate holdings. It is also five times bigger than O&Y.

Much of the Edper's real estate is concentrated in its \$12 billion Trizec Corp., Canada's largest publicly traded real estate company and nearly as large, by itself, as O&Y. Trizec, in turn, owns 65% of the dying Bramalea, Ltd., a \$5 billion real estate company with extensive holdings in the United States and Canada. Bramalea, whose financial problems were described by the *Financial Times* of London as being "at least as severe" as those of Olympia & York, is \$4 billion in debt and will have to sell at least \$525 million worth of assets this year just to meet its debt payments. Bramalea's bonds have been downgraded to "junk" status, and its stock has fallen from over \$20 a share two years ago, to under \$2 a share today. Its survival is doubtful, and its failure will almost certainly take down Trizec, and likely Edper itself.

Edper is also suffering losses on its natural resource and financial holdings, including losses of \$174 million in 1991 at Noranda Forest, \$110 million at Noranda, Inc., and \$78

million at MacMillan Bloedel.

There are two elements driving the collapse of the Reichmann and Bronfman empires. The first is the depression. The Anglo-American speculative bubble has popped, causing the evaporation of the alleged value created during the boom. Millions of individuals and smaller institutions have been wiped out, and now the crash is hitting the bigger operators such as the Reichmanns and the Bronfmans. The second element is that the powerful financial interests which *created* the Reichmanns and the Bronfmans, are now moving to take them down and seize their assets for pennies on the dollar.

As presidential candidate Lyndon LaRouche recently remarked, "The sharks are now eating the barracudas."

Who created them?

The Bronfmans and the Reichmanns, despite all their trappings of wealth and power, are, in terms of real global power, mere front men. In intelligence terms, they are "cut-outs," whose main purpose is to provide cover for the criminal activity of those much higher up the financial food chain. In this case, that criminal activity is the international drug trade.

The international illegal drug trade produces revenues of nearly \$1 trillion a year, and is doubling in size every five years. As *EIR's* bestseller *Dope, Inc.* documents, a substantial chunk of the world's financial system is devoted to moving, laundering, and investing that money. From the Hong-kong & Shanghai Bank, to the offshore havens in the Caribbean, to the biggest banks in the United States, Britain, Canada, and Switzerland, the system itself revolves around drug money. Without this financial network, the drug trade would quickly choke on its own profits.

A great deal of this drug money gets invested in real estate. In fact, the real estate boom in the United States during the 1980s occurred primarily because of the flow of hundreds of

billions of dollars of drug money into commercial real estate projects such as office buildings and shopping centers. Much of that money was conduited into the United States through Canadian real estate firms.

Because of its history as a British colony and its proximity to the United States, Canada plays an important role in international narcotics trafficking. Much of the heroin which enters the United States from the Golden Triangle flows through Canada's Pacific Northwest, from which it is smuggled across the border into Alaska, then distributed across the United States. Similarly, a substantial amount of cocaine from Ibero-America enters the United States through eastern Canada. As a result, Canada plays a key role in the distribution of narcotics, and in the laundering of the proceeds. Which leads us to the Bronfmans.

The Bronfman gang

The public profile of the Bronfman family today is much different than it was 50 years ago, when the organized crime outfit known as "the Bronfman gang" was the biggest bootlegger in North America. During Canada's brief prohibition (1915-19), the Bronfman family turned their hotel and prostitution operations into "boozeriums," a move which would eventually raise the family to the highest levels of organized crime in North America. During Canadian prohibition, the Bronfman gang illegally imported liquor from the U.S. mob. These U.S. crime contacts were quite useful when Canadian prohibition ended and U.S. prohibition (1920-34) began, and the Bronfmans shifted from importing liquor from the United States to exporting it. The Bronfmans' control over the flow of liquor—mostly British whiskey and homemade "Seagram's chickencock"—gave the gang virtual life-or-death control over the U.S. mob.

By 1926, the business was so good that the gang's British suppliers, the aristocratic Distillery Company of London of Field Marshal Haig, Lord Dewar, Lord Worlavington, and others, agreed to form a joint operation with the Bronfmans, and the Distillery Corp. Ltd. was formed, with Sam Bronfman as vice president.

With prohibition, crime became a big-time business, centered around alcohol—whose supply was controlled from London and distributed through Canada. What had once been a collection of small fiefdoms, was reorganized top to bottom into an integrated wholesale and retail distribution chain, with well-defined marketing districts, quotas, and uniform pricing.

The Bronfman counterpart in the United States was Arnold Rothstein, who was assigned the bloody job of "reorganizing" crime networks. Rothstein set up syndicates on the East Coast with the help of Chicago mobster John Torrio, who succeeded him upon Rothstein's death by assassination in 1928. Working with Rothstein and Torrio to eliminate the opposition were Meyer Lansky, Benjamin "Bugsy" Siegel, and Lucky Luciano. By the early 1930s, the infamous Murder, Inc. assassination bureau of Lansky and Siegel was protecting Bronfman liquor shipments and killing anyone who

stood in the syndicate's way. In 1932, Torrio gathered the major organized crime families together in Atlantic City, New Jersey to form the National Commission, the board of directors of organized crime. In little more than a decade, the three-way contract among the British suppliers, the Bronfman gang, and Rothstein, had become a nationally organized and controlled organized crime syndicate. For the British and their Bronfman cut-outs, prohibition had been a smashing success.

With the syndicate formed, the immediate task was to prepare for the eventual repeal of Prohibition and the legalization of liquor. The syndicate made its move into narcotics. As *Dope, Inc.* documents, the Bronfman gang sent emissaries to Hong Kong and Shanghai, the way paved by the gang's British controllers, who also controlled the Chinese opium trade through the Hongkong & Shanghai Bank, trading companies like Jardine Matheson and Lancelot Dent, and shipping companies like the Peninsular and Orient Steam Navigation Company (P&O). The door was opened for the flow of Chinese heroin into the United States, via the Bronfman gang in Canada.

With its assimilation into the lower rungs of the British Empire's lucrative narcotics business, the Bronfman family began its metamorphosis from common gangsters into seemingly legitimate businessmen. Sam Bronfman, the crime czar of North America, and his brothers Allan and Abe were placed on the boards of a number of Zionist philanthropic organizations. Sam, his son Charles, and Allan were inducted into the British Crown's Order of St. John of Jerusalem. Sam's children married into prominent Wall Street and European banking families; daughter Minda became Baroness de Gunzberg, a member of the extended Rothschild family. The gangsters had become aristocrats.

With this newly granted respectability, the Bronfman family began to establish a huge corporate empire, and to publicly distance themselves from their unsavory origins. According to some law enforcement officials, the Bronfmans transferred some of their dirtier operations to the Reichmanns, launching that family's rise to prominence.

The Bronfmans divided up the work, with Sam taking over the Seagram's end of the business, which smuggled the drugs, while Allan took over the financial end, which laundered the money, according to *Dope, Inc.*

Sam Bronfman set up CEMP Investments (named after his children Charles, Edgar, Minda, and Phyllis) as the family's investment vehicle. Among CEMP's holdings is a large stake in Cadillac Fairview, another large Canadian real estate firm with U.S. holdings, including 33 blocks of downtown Houston. Seagram's also grew: Besides being one of the world's largest liquor companies, it also owns 25% of chemical giant Du Pont Corp.

Allan Bronfman set up Edper, whose holdings include Canada's three largest publicly traded real estate companies; the second-largest trust company, Royal Trustco; the second-largest food and beverage company; John Labatt; and the resource conglomerate Noranda, Inc.