Domestic Credit by Anthony K. Wikrent

A growing economy?

The only thing that's growing in the United States is the rate of unemployment and bankruptcies.

There were as many layoffs in the first three months of 1990 as there were in all of last year, according to data compiled by Cleveland-based consultant Dan Lacey, the *Wall Street Journal* reported April 9. Some 110,152 layoffs were announced in January through March, compared to 111,285 layoffs announced for all of 1989.

But that bit of news, and its significance, seemed lost on George Bush and his economic minions. On April 7, the President told assembled journalists, "Thank God we have a growing economy. The [budget deficit] problem would be a lot worse if we didn't."

Bush's comment came only three days after the U.S. Department of the Treasury announced that on April 2 the official U.S. national debt had surpassed $3 trillion. Of course, that's nothing compared to the total U.S. public and private debt, which *EIR* estimates at about $20 trillion.

Bush's comment is helpful, though, since it highlights the contrast of the criminal insanity now guiding the affairs of the nation, to the economic reality of onrushing depression. The banking system continues its slide into the abyss, especially in the Northeast, where the Bank of New England is eliminating one-third of its workforce. The Eliot Bank of Boston and the Home National Corp. of Medford announced April 9 that they had insufficient capital and may have to close its doors. Rumors that Chemical Bank is about to blow are reaching critical mass, and close behind is Chase Manahattan (p. 4).

On April 9, Fitch Investors Service downgraded the credit card-backed securities of Sears Roebuck. The *Wall Street Journal* was forced to admit that, though not as influential as Moodys or Standard and Poors, Fitch's downgrading "does raise questions about the 'bullet-proof' status of some asset-backed securities offerings."

As expected, General Development Corp., one of the largest Florida real estate developers, filed for bankruptcy protection, after negotiations for a new $60 million line of credit collapsed. Among the creditors turning down the emergency request for new credit was Prudential Insurance Co., which holds a $75 million note from General Development.

Following the liquidation of Bonwit Teller, now another large retail store chain was forced to admit that its income structure has disintegrated. Ames Department Stores, which borrowed $778 million to buy the Zayre department store chain in 1988, announced April 10 that it expects a loss of $228 million for the year, and will close 74 of its 680 stores. Two days later, the *Wall Street Journal* reported that suppliers are refusing to ship to Ames, until Ames pays for merchandise shipped as long ago as November. As one retail analyst in Boston put it, "Ames is a Campeau in the making."

Southland Corp. issued a long-term prospectus admitting that the company expects to show a loss in 1992, negative cash flow in 1993, and will at best only break even until 1997, even if its junk bond holders agree to swap the junk for a 10% equity stake in the company. It is highly unlikely the junkies will agree, since the swap is worth only 15 to 35 cents on the dollar on Southland's $1.8 billion of debt. Meanwhile, the owners of 7-Eleven franchises are seeking reassurances that Southland will continue to pay its vendors and honor leases, even if bankruptcy is declared. But that's hardly likely.

Integrated Resources, the first Drexel Burnham Lambert leveraged buy-out to go sour last summer, was back in the news when it agreed to sell its only profitable subsidiary, Learjet Corp., to Bombardier Inc. of Canada, for $75 million. Since at least one-third of Learjet Corp.'s $260 million in revenues is derived from defense subcontracting, it is notable that there was no media hype about "foreigners buying control" surrounding the sale—perhaps because most Canadians are lighter-skinned than most Japanese.

The Anglo-Americans keep rather tight control of the U.S. media. But, there are signs that this, too, may change: Ruport Murdoch, the media magnate, announced that he will make no further major acquisitions for at least two or three years. Murdoch must be worrying about the $6 billion in debt he has to service.

But the most amusing financial running sore at the moment is Eastern Airlines, the once-proud airline brought to its knees by George Bush's union-busting buddy Frank Lorenzo. Eastern's preferred shareholders and unsecured creditors have both petitioned the bankruptcy court to dispose of Lorenzo's management goons, and to appoint a court trustee to take over the airline.

a skunk fight a rat for control of an abandoned farmhouse.