

RAHALL

Weekly Report

"BUSINESS FAILURES"

A BANKRUPTCY EPIDEMIC IS SWEEPING AMERICAN BUSINESS, AND THERE IS NO LETUP IN SIGHT. IN THE FIRST THREE MONTHS OF THIS YEAR, BUSINESSES FILED FOR BANKRUPTCY AT A RATE OF 36 FOR EVERY HOUR OF THE BUSINESS DAY. AT THAT PACE, THE TOTAL FOR THE YEAR WOULD BE 76,676, THE LARGEST IN AMERICAN HISTORY.

IT IS A MATTER OF FACT THAT ECONOMIC DOWNTURNS ALWAYS CLAIM THEIR CORPORATE VICTIMS. THE 1970 RECESSION'S MOST NOTABLE CASUALTY WAS THE PENN CENTRAL RAILROAD. THE 1974 RECESSION CLAIMED THE W.T. GRANT DEPARTMENT STORE COMPANY. BUT TODAY IN 1982, ECONOMISTS SAY THAT IT IS THE VARIETY OF BANKRUPTCIES, AS WELL AS THE NUMBER, THAT MAKES TODAY'S SHAKEOUT SO SEVERE. BANKRUPTCY FILINGS ARE OCCURRING IN ALMOST EVERY INDUSTRY.

JUST LAST WEEK, BRANIFF INTERNATIONAL AIRLINES WENT DOWN, THIS WEEK THE STRUGGLING INTERNATIONAL HARVESTER COMPANY IS ON THE ROPES, AND IF IT GOES UNDER, IT WOULD BE THE LARGEST AMERICAN FIRM IN HISTORY TO FILE FOR BANKRUPTCY.

THE BANKRUPTCY EPIDEMIC GOES BACK TO TWO MAJOR EVENTS OF LATE 1979: THE BEGINNING OF THE FEDERAL RESERVE'S TIGHT-MONEY POLICIES AND A REVISION OF THE NATION'S BANKRUPTCY LAWS. SINCE THEN, BANKRUPTCIES HAVE SOARED 153%.

THE FED'S CAMPAIGN TO REDUCE INFLATION THROUGH SLOWER MONETARY GROWTH SENT INTEREST RATES SKY-ROCKETING; THE RECESSION HAS FAILED TO COOL THE RATES TO AFFORDABLE LEVELS. MANY BUSINESSES CAN'T EARN THE PROFITS THEY NEED TO MEET THE COST OF THEIR SWOLLEN DEBT. INCREASINGLY, BANKRUPTCY IS THEIR ONLY WAY OUT.

IN CONGRESS, WE HAVE BEEN TOLD THAT BY REDUCING THE FEDERAL DEFICIT, WE CAN SEND A "SIGNAL TO WALL STREET" SO THAT THE ... INTEREST RATE CAN BE LOWERED AND THE LONG-AWAITED ECONOMIC RECOVERY WILL BEGIN.

I AM CONCERNED WITH SUCH AN ARGUMENT, BECAUSE IN 1981, CONGRESS APPROVED THE REAGAN ECONOMIC PLAN THAT INCLUDED A DEFICIT AROUND \$40 BILLION. TODAY THE PRESIDENT HAS SENT UP TO CAPITOL HILL A BUDGET THAT CONTAINS A DEFICIT IN EXCESS OF \$120 BILLION, AND WE ARE AGAIN TOLD THAT BY PASSING THIS PROPOSAL--WHICH HAS A DEFICIT NEARLY THREE TIMES BIGGER THAN THE ONE LAST YEAR--INTEREST RATES WILL COME DOWN.

I HOPE THAT MR. VOLKER OF THE FED, WILL GET THE MESSAGE.