

BANKRUPT, BUT NOT BROKE

BUSINESS firms and individuals are going bankrupt at record rates, but that doesn't mean all of them are going broke.

For the first nine months of 1983 total bankruptcy filings in the Western District of Oklahoma have exceeded the total number for all of 1982. Two years ago about 7,000 businesses nationwide sought help under Chapter 11 of the federal bankruptcy act. Last year the figure doubled and it may double again this year.

"It's hard times," explained an Oklahoma City bankruptcy official, but articles in current issues of Fortune magazine indicate that many find it profitable to "go under."

The Fortune article, titled "Management by Bankruptcy," cites Manville's, a company with a net worth of \$1 billion. It took bankruptcy and 16,000 lawsuits from individuals claiming diseases related to asbestos were stayed.

Wilson's Foods laid off employees and cut union wage scales under a federal court decision that a labor contract can be broken if it is "burdensome." Similar points are involved with Continental Airlines and other firms mentioned. One company took bankruptcy while having record sales and \$37 million in net income.

Fortune attributes the trend

to changes made in federal laws five years ago. These include provisions that discount future ability to pay debts and make it easier for firms or individuals to hold onto assets while being relieved of obligations.

Another thing, Fortune says the 1978 reforms made bankruptcy more lucrative for law firms. "Fees are hitting record highs," the article said. "AM International's bankruptcy is likely to produce \$4 million for the lawyers."

Nation's Business deals with a different aspect of the situation — bankruptcy swindles, wherein certain companies go "in business for the sole purpose of going out of business." After establishing credit, these operators place large orders, sell the merchandise at big discounts and file for bankruptcy without paying for it. Every cent is "profit" on the "free" merchandise.

Widespread credit buying makes it easy for individuals to make purchases considerably beyond their ability to pay and present bankruptcy laws make it relatively easy for them to get out from under their debts. Some may go bankrupt more than once.

Legal relief is needed for people and businesses who may have overstepped their ability to pay, but protection also is needed for those who may be victims of fraud, abetted by the law.