

have stabilized on the high negative level or have deteriorated further. The causes of the development are to be found in an accumulation of negative influences: increase of loss potential as a result of highly complex production processes with a substantial concentration of values, greater frequency and loss severity of natural catastrophes (U.S., France), more stringent legislation and court practices at the cost of the insurance industry, growing crime, changed behavior of insureds in the welfare society (higher demands, etc.)

"As far as the technical aspect is concerned, premium growth in most countries cannot keep pace with the rising claim costs. Persistently strong pressure on rates and increasing cut-throat competition are the consequences. Only the economic conditions have improved slightly in 1983; however, the effects on the insurance industry are limited. At the most they might stop the trend towards worsening underwriting results; however, they will most likely not be able to improve them decisively."

This describes conditions immediately before the great insurance wars began with Allianz's attempted takeover of Eagle Star. As noted, the American property/casualty insurers lost \$3.55 billion in 1984 and are projected (by Phillips and Drew) to lose another \$2.5 billion during 1985, which Allianz notes happily. It would seem that the insurance business is a come-on; the important thing is the cash flow, portfolios, and ability to move money quietly.

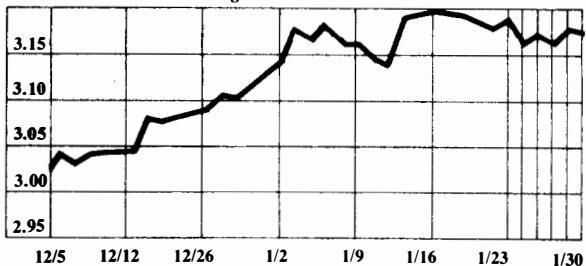
The big European insurance companies are not disquieted by the longstanding pattern of losses. Far from it. Allianz Insurance, fresh from its takeover of the RAS, is shopping in the United States. According to a source inside the company, the miserable performance of the American casualty-risk insurers, who lost \$3.55 billion in 1984 and may lose another \$2.5 billion in 1985, is to the advantage of a foreign buyer, since the asking price of a money-losing company will be low. "After all, we bought (for \$100 million) the Fidelity Union Life of Dallas in 1978, when the German mark was 1.80 to the dollar," the Allianz official said. "That was not a bad deal, considering that the dollar now buys more than three marks. We have been in dollars for a long time . . . we expect to get a good deal in the United States."

For the moment, the oligarchical funds continue to pour into the United States. The combination of these capital inflows, most of which derive directly or indirectly from illegal sources, and the usury earned by U.S. banks' loans to the rest of the world, has enabled the United States to enjoy a fools' paradise. But the old *fondi* are not playing for short-term profit on their dollar portfolios: They are playing a deadly strategic game whose ultimate object is the elimination of the United States as a world power. At any moment, as Paul Volcker keeps saying, the capital flows could reverse—the old *fondi* could pull the plug. Then, the United States will see the facade of "free enterprise" crumble and confront the naked power of the old *fondi*. It will have to crush them through old-fashioned exercise of dirigistic state power, or face ruin.

Currency Rates

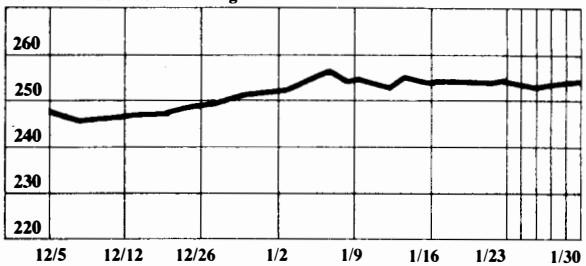
The dollar in deutschmarks

New York late afternoon fixing



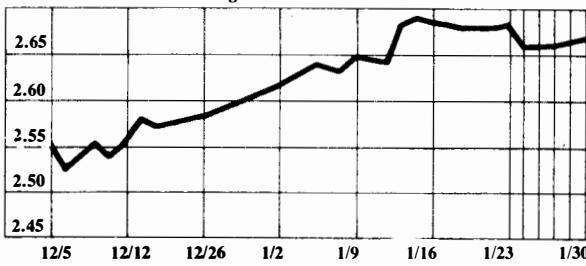
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

