### **Business**

### Stocks

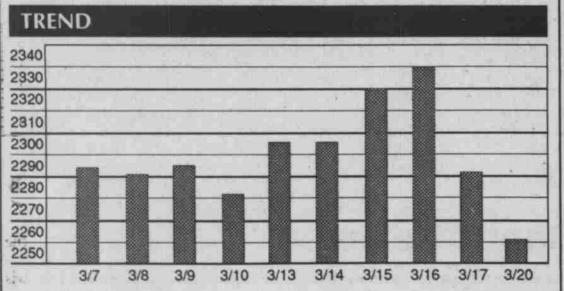
#### **DOW JONES INDUSTRIAL AVERAGE**



2262.50

**DOWN 29.64** VOLUME: 151.26 million shares

| COMPANY     | CLOSE  | CHANGE | HIGH   | LOW    | WK. AGC |
|-------------|--------|--------|--------|--------|---------|
| Duke Power  | 43 1/2 | - 1/2  | 44     | 43 1/2 | 42 3/4  |
| Food Lion   | 11     | + 1/4  | 11     | 10 7/8 | 10 1/8  |
| NCNB Corp.  | 35 7/8 | - 1/8  | 36     | 35 1/4 | 32 5/8  |
| RJR/Nabisco | 86     | - 5/8  | 86 3/4 | 85 7/8 | 84 1/8  |
| BellSouth   | 40 3/8 | - 1/4  | 40 5/8 | 40 1/8 | 40 1/2  |



### Exchanges

NEW YORK CLOSE

| PRECIOUS ME |           |        |             |
|-------------|-----------|--------|-------------|
|             | CLOSE     | CHANGE | 2 WEEKS AGO |
| GOLD LONDON | \$ 396.00 | + 3.00 | \$ 388.56   |
| SILVER      | \$ 6.14   | + 0.02 | \$ 5.78     |

| FOREIGN CURRENCY |           |              |                          |  |  |
|------------------|-----------|--------------|--------------------------|--|--|
|                  | CLOSE MON | CLOSE FRI    | 2 WEEKS AGO              |  |  |
|                  |           | (per \$1 US) |                          |  |  |
| British POUND    | 1.7187*   | 1.7130*      | 1.72335*                 |  |  |
| Swiss FRANC      | 1,602     | 1.6154       | 1.58575                  |  |  |
| Japanese YEN     | 131.27    | 131.68       | 129.15                   |  |  |
| W. German MARK   | 1.8687    | 1.8763       | 1.85275                  |  |  |
| DTH Graphic      |           | *Expresse    | d in US dollars per pour |  |  |

# Recession predicted

### Continued high inflation could spur downturn, analysts say

From Associated Press reports

WASHINGTON — The recent spurt of inflation is raising fears of a recession, with some economists predicting Monday that a downturn could begin in the second half of 1989.

These analysts believe that the Federal Reserve, faced with alarming news of increasing price pressures, will squeeze credit so tightly that an inevitable.

"Once you get inflation up to the levels we have right now, it has taken a recession to cool things off. That is an unfortunate fact of life," said Bruce Steinberg, senior economist at the New York investment firm of Merrill Lynch.

last Friday when the government reported that prices at the wholesale level had shot up a full percentage point for the second straight month.

Inflation worries were heightened

It was the worst back-to-back inflation news in nearly eight years

plunging as investors worried that the Federal Reserve would be forced to drive interest rates higher in an effort to dampen demand. Markets continued to be battered

by inflation worries on Monday, with the Dow Jones industrial average of 30 stocks falling 29.64 points to close at 2,262.50, after a 48.57 point drop economic slump will be all but on Friday, the worst one-day loss in nearly a year.

> Investors were braced for an even bigger market drop Tuesday if the government's monthly check of consumer prices comes in with a worse-than-expected number.

Economists were looking for consumer prices to rise by about 0.5 percent in February. They feared that a figure as high as 0.7 percent could send markets into a tailspin. Even a 0.5 percent increase would translate into an annual advance above 6 percent, sharply higher than the price increases of 4.4 percent or less during

and it sent stock and bond prices the past seven years.

The Bush administration sought to play down inflation worries on Monday with White House spokesman Marlin Fitzwater telling reporters that a number of recent business reports paint a picture of a slowing economy which will be enough to break any inflationary pressures.

But private ecoomists said fears were now so widespread that the Federal Reserve will be forced to take actions that will likely send a variety of consumer and business interest rates higher.

"We are looking at potentially the worst inflationary bout since the late 1970s and early 1980s," said Allen Sinai, chief economist of the Boston Co. "It is a policy problem of immense proportions for the Federal Reserve, and it will require sharply higher interest rates and potentially a recession to deal with."

Starting a year ago, the central bank, under Chairman Alan Green-

span, began gradually nudging interest rates higher in an effort to keep inflation from getting out of control,

Some economists complained that the Fed was too tentative, especially in the second half of 1988, and now is faced with the need to slam on the

David Jones, an economist with Aubrey G. Lanston & Co., a government securities dealer, predicted that the Federal Reserve would boost the discount rate, the rate it charges to make loans to financial institutions, two or more times in the coming

The Fed increased the discount rate to 7 percent on Feb. 24 in a move widely seen as a signal that it intended to move more strongly against inflationary pressures.

"The Fed gave up on gradualism' in February," Jones said. "Now that they have become tougher and more aggressive, it makes the danger of a recession greater."

# Strike woes multiply for troubled airlines

The parent corporation of strikecrippled Eastern Airlines got double trouble Monday when New York developer Donald Trump cut his bid for Eastern's shuttle and flight attendants called a strike at sister carrier Continental Airlines.

There were few signs of disruption from the strike by the flight attendants union at Continental, but Mary flight attendants' union local, pre- would be "permanently replaced." dicted the walkout would grow.

"Right now, they're still trying to get the word out," Barry said in Miami.

Continental's flight attendants voted in December to authorize a strike over wages and have been free to walk out since then, union leader Carla Winkler said.

Barry said parent Texas Air Corp. has been trying to offset Eastern's strike, begun March 4 by its machinists union and joined by the pilots

and flight attendants, by increasing Continental's service.

Only about 200 Eastern pilots, about half of which are management, are flying, and Eastern is operating less than 10 percent of its pre-strike schedule of 1,040 daily flights.

Continental's executive vice president and chief operating officer, Lewis Jordan, said that as of midday Monday, only 35 attendants were Jane Barry, president of the Eastern participating in the walkout and

Barry, speaking at her union hall, where walls were decorated with posters showing a Dracula figure representing Texas Air Chairman Frank Lorenzo, said unions will announce new actions aimed at Continental on Tuesday. She declined to give details.

Meanwhile, Trump said that because of the strike he no longer thought Eastern's Northeast shuttle service was worth the \$365 million he offered last year. He said he'd like

to cut the price by more than \$125 million.

The deal has been awaiting final approval, and Eastern said last week it would ask U.S. Bankruptcy Court in New York, where Eastern filed March 9 for Chapter 11 protection and bankruptcy reorganization, to expedite the sale to Trump.

In a letter to Lorenzo, Trump said, "The shuttle has become an entirely different business in that its market share and customer base may be lost for some time to come, if not forever."

Eastern replied with an afternoon letter, telling Trump it was seeking other bids for the shuttle. The letter, excerpts of which were made available to The Associated Press, said Eastern has recently received "other offers unsolicited" and invited Trump to re-submit a bid.

Eastern officials said passenger traffic on the 62 daily flights on the Boston-New York-Washington shuttle has improved steadily since the flights carried as few as seven pas- more successful," he said.

sengers. For one week it slashed weekday fares from \$99 to \$49 oneway and weekend fares from \$69 to \$12 to lure passengers back.

When the Continental strike deadline came at 10 a.m. EST, some flight attendants set up picket lines at the carrier's main Houston hub, but flights appeared to be departing and arriving normally. Pickets also were reported at Newark, N.J., and Denver.

There are about 6,800 Continental flight attendants, but the union has been without a contract since Continental's 1983 Chapter 11 reorganization. The company says only 5 percent of its attendants belong to the union, and the union says 60 percent. Continental's pilots and machinists lost their unions in 1983.

Continental spokesman Dave Messing said the flight attendants' walkout is "like an annual event." An Easter 1988 call for a sickout failed to materialize, and "there's no reason first days of the strike, when some to believe this attempt will be any

# Man refuses to pay bill for 'illegal' services

From Associated Press reports

BALTIMORE - A man being sued by American Express for not paying his \$6,700 bill contends he doesn't owe the money because he used the charge card to pay for an illegal act - hiring prostitutes.

SOURCE: SHEARSON LEHMAN HUTTON, Chicago

"It's the oldest profession and an pld rule of law - they go together as far as I'm concerned," said Thomas Waxter Jr., attorney for Michael Gianakos.

"It is axiomatic that a contract which has as its purpose an underlying illegality cannot be enforced by either of the parties," said Waxter in response to the American Express lawsuit.

In an affidavit filed in Baltimore Circuit Court, Gianakos said he used his American Express card during July and August 1987 to purchase the services of prostitutes at the Club Pussycat and the Jewel Box in downtown Baltimore.

The bills submitted to American Express showed the charges were for champagne.

The two bars are located on The Block, a street lined with peep shows, X-rated video and book stores and the only block in the city where strongest candidate for sale under a

### **Business Briefs**

flashing neon lights are allowed. Bartenders at the two establishments denied Gianakos' claims, and it was not immediately clear how he could prove them.

"He wasn't in here because we don't have prostitution," a bartender at the Club Pussycat said. He declined to give his name.

The court papers filed by American Express said the two clubs accepted charges from Gianakos resulting in an unpaid bill of \$6,716.92.

But in his sworn statement, Gianakos said, "The use of my American Express card was for the purchase of the services of prostitutes, which is illegal in the state of Maryland."

Asked if Gianakos could get into legal trouble for making such an admission, Waxter said Friday, "I don't think so."

RJR may sell Del Monte

ATLANTA — Industry analysts said Monday that RJR Nabisco's Del Monte subsidiary is probably the plan to reduce debt from Kohlberg Kravis Roberts & Co.'s (KKR) buyout of the consumer products

RJR said in a statement that it has not made a decision but has retained Goldman, Sachs & Co. to study a possible sale of Del Monte, along with other options.

The company made the statement after the Wall Street Journal reported that KKR, which bought RJR for a record \$24.53 billion in February, had assigned Goldman Sachs to seek bids for Del Monte.

"It's a very strong possibility," said Bob Young, vice president for derivative securities at Dean Witter Reynolds in New York. "Some substantial amount of the businesses had to be sold, as a practical matter."

Young said Del Monte is a leading candidate for being sold because of the nature of KKR's buyout.

"KKR was selected because KKR stated intentions to not sell off RJR, to not substantially distribute pieces of Nabisco," Young said. "That makes the sale of Del Monte highly

Del Monte, based in Coral Gables, Fla., produces canned, dried and fresh fruits as well as canned and microwave vegetables, juice drinks and snack foods. It employs 42,000 people worldwide and hires about 12,000 seasonal workers.

Pauline Howe, spokeswoman for RJR in Atlanta, declined to speculate on Del Monte's chances of being sold. She said the company is simply studying its options.

"I wouldn't read any more into it than that," she said.

The Journal said the sale could bring \$3 billion, which could be used to reduce KKR's debt from the RJR buyout. KKR executives previously had said they planned to sell \$6 billion in RJR food assets.

Emmanuel Goldman, a beverage and tobacco analyst at PaineWebber Inc., said the most likely buyers for Del Monte would be Japanese, French, West German and British companies, although U.S. companies such as Quaker Oats Co. and Ralston Purina Co. might be interested.

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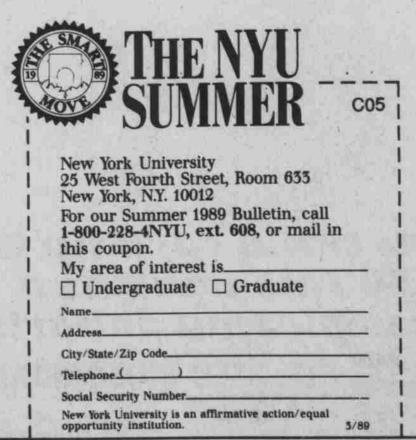
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