

Business

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 economic slump will be all but 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.

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

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

and it sent stock and bond prices 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 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

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 economists 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 brakes.

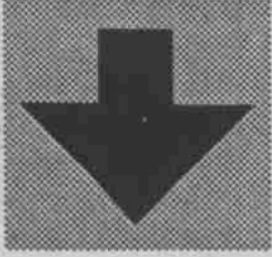
David Jones, an economist with Aubrey G. Lanston & Co., a government securities dealer, predicted that the Federal Reserve would boost the discount rate, the rate it charges to make loans to financial institutions, two or more times in the coming months.

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."

Stocks

DOW JONES INDUSTRIAL AVERAGE

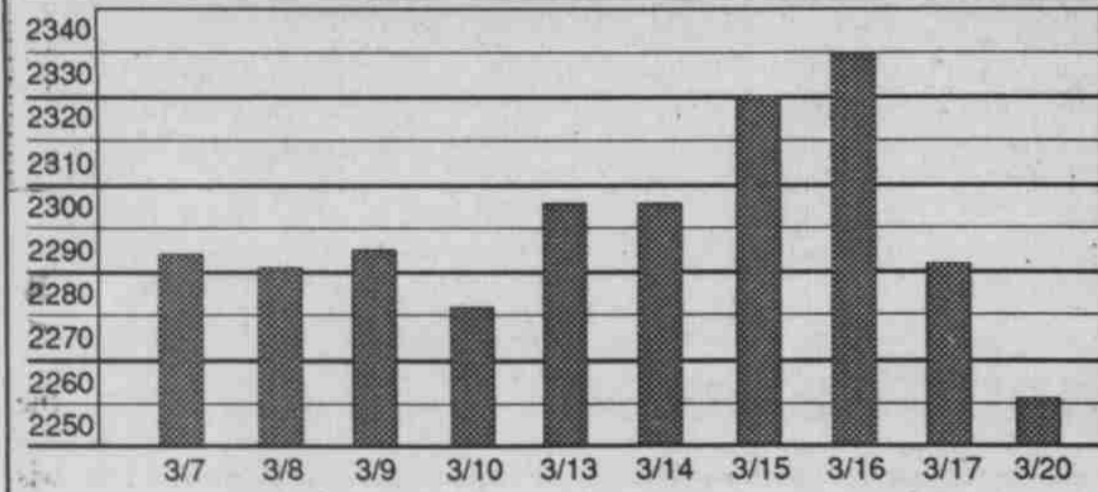


2262.50
 DOWN 29.64
 VOLUME: 151.26 million shares

NORTH CAROLINA STOCKS

COMPANY	CLOSE	CHANGE	HIGH	LOW	WK. AGO
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

TREND



Exchanges

NEW YORK CLOSE

PRECIOUS METALS

	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 SOURCE: SHEARSON LEHMAN HUTTON, Chicago *Expressed in US dollars per pound

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.

"It's the oldest profession and an old 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

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 strongest candidate for sale under a

plan to reduce debt from Kohlberg Kravis Roberts & Co.'s (KKR) buyout of the consumer products giant.

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

likely."

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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