

# Business Briefs

## Banking

### FDIC to bail out Texas's MCorp?

The Federal Deposit Insurance Corporation is evidently planning to bail out Texas \$20 billion MCorp, the largest bank holding company in Texas. The corporation has run out of assets to sell to offset operating losses, and has been unsuccessful in raising \$200 million in capital from private sources, forcing it to seek federal help.

MCorp has retained advisers to prepare a proposal for the FDIC, according to local press.

In its second-quarter statement, the Houston based company stated that its capital-raising efforts "have been impeded in recent months by ongoing adverse publicity surrounding several of the major banks in Texas. Moreover, there is now a growing perception that private capital for Texas banks may be available *only in combination with some form of public sector investment* as long as the effects of the economic downturn continue to plague the financial industry. MCorp continues to explore all capital-raising alternatives."

## Utilities

### Blackouts, brownouts hit Eastern states

Brownouts occurred throughout Manhattan and Long Island, New York on Aug. 15. A number of other Eastern states also reported brownouts or blackouts.

In Manhattan alone, 16 apartment buildings lost electricity, and a large area of the Manhattan's Upper East Side suffered a brownout. As a result of the electricity loss, 4 Metro-North commuter trains were canceled, and 10 more were delayed.

Long Island Lighting Company (Lilco) was able to meet demand, but alerted its customers at 10 a.m. the same day to cut back on use. It also imported more than 450 megawatts from upstate New York and Canada.

The chairman of the State Public Service Commission, Peter Bradford, told *Newsday*, "If a couple of nuclear units went down" there would be real trouble. "You can't rule out that situation," he said.

Meanwhile, a brownout was ordered by the regional Pennsylvania-New Jersey-Maryland (PJM) power pool, which took effect shortly after 1 p.m. Aug. 15. Utility officials said that a 5% voltage reduction is "virtually unnoticeable," but that the brownout might cause a slight dimming of lights or a shrinkage of television screens.

On Aug. 10, nine New Jersey towns in Bergen and Passaic counties experienced a 2½-hour blackout. About 25,000 homes were left without power; half the city of Paterson was in the dark, as were the major shopping malls of Paramus. PSE&G, the utility, said a break in a cable feeder line caused the outage. The continuing heat wave "has put a tremendous burden on our cable lines," a PSE&G spokesman said.

In New England, power officials warned that blackouts may occur throughout the region unless businesses and homeowners conserve energy. The shutdown in August of Maine's Yankee nuclear plant and one of four power generators at Salem Harbor has worsened already strained power supplies, officials say.

In Boston, 6,000 customers were without power Aug. 12 and 13, with outages also cropping up in other suburbs, including 5,000 people in Gloucester. Over 2,000 residents of South Boston were hit by an outage Aug. 15, the scene of repeated power failures in a four-day period. South Boston is an older, poorly maintained, working class area of the city.

## Energy

### Globe suddenly favors Mass. nuclear plants

An editorial in the Aug. 15 *Boston Globe* has called for the rejection of a November ballot initiative that would shut down all nuclear plants in the state of Massachusetts.

The newspaper, generally liberal, heaps

unexpected praise on Yankee Nuclear's "28-year record of safe power generation," and calls for the immediate reopening of the utility's Pilgrim plant.

The editorial engaged in direct criticism of Gov. Michael Dukakis. "Governor Dukakis has stated he does not support the shutdown. . . . Still, by his stubborn opposition to Seabrook, he has fueled the anti-nuclear environment in this state."

The Seabrook plant, located in nearby New Hampshire, is ready to go operational, but it has failed to start up, and the owning utility has filed for bankruptcy, principally because Dukakis refused to cooperate in developing area evacuation plans as required by the Nuclear Regulatory Commission.

## Asia

### China projects huge manpower surplus

China's rural areas will have nearly 200 million in surplus labor by the year 2000, according to figures released by China's State Statistical Bureau. The situation is such that without a breakthrough in the country's economic development, there will be a holocaust.

The bureau's study, released by the Xinhua news service May 27, shows that the amount of rural manpower that has moved into non-agricultural employment rose from 31.5 million in 1978 to 81.3 million in 1987. However, the amount of rural manpower in China as a result of natural population growth is still greater.

In the past nine years, rural manpower grew by more than 83 million people, whereas only some 70 million transferred into forestry, animal husbandry, sideline production, fisheries, and light manufacturing, resulting in an 84% increase in rural manpower.

"Basing our forecast on the increase in agricultural labor productivity and the average farmland managed by each agricultural worker by the end of this century, only 160 million people are needed in farming by the year 2000," the report says.

# Briefly

"If the average annual transfers remained at the 1978-87 level of 8 million people, then China's rural areas will have nearly 200 million surplus labor by the year 2000."

## Commodities

### Natural rubber prices soar

Speculation in raw materials during recent months has caused rubber prices to rise by 30%, forcing tire producers and the auto industry to increase their prices. Other industrial branches using rubber in production will also be affected.

Speculators are reported to be buying up natural rubber stocks in expectation of making a killing on further price increases.

Robert Mercer, chairman of Goodyear Corp., in an interview with VDI news in Germany, predicted, "There'll only be three or four huge tire producers in a few years." The process of concentration and cartelization will continue, Mercer said, stating he is "convinced that only a few companies, like Goodyear, Bridgestone, Michelin will survive in the end."

Dunlop and Pirelli are still fighting for position number-four behind these three. Mercer did not mention Germany's Continental Rubber Corp. in his outlook for the 1990s.

## Trade

### Bush calls for new U.S.-Japan 'partnership'

The United States and Japan should forge a "new form of partnership," said Vice President George Bush in answer to questions from Japan's Mainichi Newspapers.

In Bush's view, the United States should play the leading role militarily, while Japan provides the lion's share of foreign aid to Third World nations.

Bush answered the questions in a written reply to Mainichi.

Bush said that he would "much rather capitalize on a growing Japanese realization that their tremendously powerful economic position carries growing responsibilities," rather than push Japan to build "unnecessary" military forces.

"I call that responsibility sharing, not just a tit-for-tat balancing of costs, but a mutual, cooperative effort."

He denied the accusation that "Japan is getting a free ride on defense."

## Agriculture

### Soviet harvest outlook dim

A Soviet national television commentary Aug. 4 called on the population not to "panic or fuss" during the difficult harvest.

"For 10 years," the broadcast admitted, "we have not had a single really abundant harvest. This year, drought has very much affected Siberia, northern Kazakhstan, and the Volga Valley; while in the European part of the country, where there were very fine grain crops . . . rains have flattened the grain crops and they are very difficult to harvest. . . . The grain is reaching the threshing floors in a very damp and clogged condition."

A week later, on Aug. 10, the Russian Republic daily paper, *Sovetskaya Rossiya*, said that grain was "being produced with difficulty" throughout the republic. "Drought has scorched a considerable part of the Volga region, almost all the Urals, and the main grain regions of Novosibirsk and Omsk Oblasts [in Siberia]. In the north Caucasus, the grain is rich, but the heavy rain has flattened, twisted, and tangled it. . . . In brief, the year has been very difficult."

The Soviet press is advertising "success stories," based on the Gorbachov economic reforms. Families working on contract, it is claimed, have the incentive to go back over their fields several times to glean more grain. The fact remains, that in the north Caucasus bread basket regions, army forces once again had to help with the harvest.

● **DAIRY FARMERS** in Massachusetts are up in arms over a ballot initiative by "animal rights activists" which would "radically change current livestock operating practices . . . outlaw current methods used to house calves, and set up a nonfarmer 'advisory board' to develop further compulsory animal care regulations," according to a circular distributed by *National Holstein News*.

● **THE WHITE HOUSE** budget office (OMB) has acknowledged that the money disposable under the Gramm-Rudman guidelines is \$1.2 billion more than it had estimated. Congress can't easily get at the additional funds, however, since Gramm-Rudman prohibits the OMB from making dramatic changes in its projections.

● **HOUSING** for the poor is being torn down in Minneapolis. From 1979 to 1984, 1,300 low-income units were replaced by high-priced speculative developments. Now, the city is tearing down 355 housing units, most occupied by welfare recipients or low-income laborers, to build a \$102.6 million convention center.

● **THE CITY** of Sutherlin, Oregon—population 5,000—will lay off all of its 13 employees at the end of August, including police and firefighters, and shut down for at least two months, said City Manager Bruce Long. Voters turned down a one-year \$419,000 property tax levy on Aug. 9.

● **NEWARK**, New Jersey Mayor Sharpe James issued a water shortage alert on Aug. 15, asking residents to voluntarily conserve water, because the supply is at 72% of capacity.

● **MARIJUANA** is thriving in New Hampshire, reported the *Manchester Union Leader* Aug. 14. Local law enforcement officials seized 530 plants in a raid in nearby Haverhill, Massachusetts on Aug. 13, but called this "a drop in the bucket."