

World and Nation

Chief economist: new budget will cause pain

WASHINGTON (AP) — President Reagan's Cabinet was presented Wednesday with the first \$1 trillion spending outline in history, a fiscal 1988 budget proposal that the president's chief economist says will be "accompanied with a lot of pain."

Chairman of the president's Council of Economic Advisers, Beryl Sprinkel said, the pain will come in the form of more than \$50 billion in spending cuts and other savings designed to meet the \$108 billion deficit target set by the Gramm-Rudman budget balancing law.

"There is no way to cut back or even restrain spending that doesn't create problems in the various departments," Sprinkel told a conference sponsored by the conservative American Enterprise Institute.

Federal agency heads got their first look at the new budget proposal, the first installment of which will be submitted to Congress on Jan. 5, at Wednesday's Cabinet meeting.

Presidential spokesman Larry Speakes said, the presentation was accompanied by a strong pitch by Reagan to go along with the deep spending cuts needed to meet the

Gramm-Rudman deficit target.

OMB spokesman Edwin Dale said more detailed information on individual cuts recommended by the president's Office of Management and Budget was being sent to each federal agency.

Deficit-reduction steps proposed by OMB Director James C. Miller III go far beyond the spending cuts Cabinet members had recommended for their own agencies, according to administration officials who spoke on the condition of anonymity.

Even the departments of Education and Energy — the only two federal agencies to submit preliminary budget requests that came in under White House guidelines — were told to pare back their programs further, the officials said.

With a month to go before the president's budget is put in final form, the broad outlines of the spending plan for the fiscal year that begins next Oct. 1 were beginning to take shape. They showed:

- An overall budget document citing anticipated revenues of approximately \$900 billion and outlays

a shade over the \$1 trillion mark, but less than \$1.1 trillion.

- Roughly \$25 billion in spending cuts and program eliminations and another \$25 billion in proposed new user fees and the sale of federal assets, including loan portfolios.

- A dramatic overhaul of the government's credit programs, where new loans would be sold to private investors soon after they were made and where private insurance would be purchased to back up government loan guarantees.

- Another attempt at dropping most of the 40 programs the administration has sought to eliminate, unsuccessfully, in previous budget plans. However, two former entries on Reagan's hit list — Amtrak subsidies and the Small Business Administration — would be spared immediate extinction, although financed at far lower levels.

- A proposed increase in defense spending of about 6 percent — made up of 3 percent in "real" increases on top of projected 3 percent inflation — to a spending level of \$308 billion.

- No higher taxes and no decrease in Social Security benefits.

Louisiana sheriff withdraws order to stop blacks

GRETNA La. (AP) — Under rebuke, a sheriff today canceled his order that deputies routinely stop and question blacks found in white neighborhoods.

Jefferson Parish Sheriff Harry Lee opened a news conference by apologizing to black people and anyone else he may have offended.

In announcing plans Tuesday for a holiday crackdown on burglaries, he had remarked that blacks in mostly white neighborhoods are likely "up to no good."

Lee said deputies in his suburban New Orleans parish would continue to stop anyone they might reasonably suspect of having committed a crime.

Then, he answered critics who had called him a racist, saying he has been involved in the civil-rights struggle for 20 years.

Lee, a Chinese-American, said, "I am a minority and I know intimately what prejudice is, having been a victim of it for most of my life, and it distresses me greatly that I have been characterized as a bigot and a racist because I know in my own heart how it feels to be treated differently."

He said he was credited with working toward the peaceful integration of New Orleans restaurants more than 20 years ago.

As a federal magistrate, he said, he recommended relief in more civil rights cases than any other magistrate in the nation.

Martha Kegel, executive director of the Louisiana branch of the American Civil Liberties Union, had earlier called for Lee's resignation, calling him "a despicable bigot."

Lee had drawn fire after his Tuesday news conference for remarks such as, "If you live in a predominantly white neighborhood and two blacks are in a car behind you, there's a pretty good chance they're up to no good."

Pickens launches bid to take over Shamrock Corp.

DALLAS (AP) — Amarillo oilman T. Boone Pickens on Wednesday launched a \$2 billion takeover bid for Diamond Shamrock Corp., and some analysts predicted the giant energy company would reject the offer.

A partnership led by Pickens' Mesa Limited Partnership and including construction magnate John M. Harbert III of Birmingham, Ala., offered in a Securities and Exchange Commission filing to swap one Mesa Limited share for each Diamond Shamrock share, said David Batchelder, president of Mesa Petroleum Co.

In New York Stock Exchange composite trading, Mesa Limited's stock closed at \$17, up 12.5 cents from Tuesday's close. Diamond Shamrock closed at \$14.62½, up \$1.62½ from Tuesday.

Ginger Shearburn, a Diamond Shamrock spokeswoman, said she didn't know what action the company would take or whether a board meeting had been set to review the proposal.

Don Bustos, an industry analyst with Duff & Phelps in Chicago, said, "My guess is that they will reject the offer."

"Then it boils down to how serious is Mr. Pickens. My guess is he's very serious. Then it comes down to what resources does Diamond Shamrock have to offer, to which I don't have an answer."

Bustos called Pickens' offer fair. Batchelder said Wednesday Mesa wants Diamond Shamrock for its domestic gas reserves.

"Half are in the west Panhandle field," he said, citing Mesa's June acquisition of Pioneer Corp. in Amarillo, which also has Panhandle reserves.

Batchelder said Mesa has received no response yet from Diamond Shamrock but that the company had only received copies of the proposal Wednesday morning.

Batchelder also said that the only assets Mesa would sell if it acquires the Dallas company is the coal operation, which Diamond Shamrock has had on the block for some time.

Batchelder said Harbert Corp. and Mesa Limited already own 5 million shares of Diamond Shamrock, or about 4.5 percent.

Harbert, a multimillionaire and cited as one of America's richest men by Forbes Magazine, profited from an earlier partnership with Pickens when the two teamed up in an unsuccessful bid for Gulf Corp. in 1984.

Alan Edgar, an oil analyst with Schneider Burnet & Hickman in Dallas, had speculated earlier that Pickens might be after Diamond Shamrock for cash and is "picking on a company that has no credibility on Wall Street."

"This could set the stage to leverage him into a bigger deal soon."

But Bustos disputed that, saying he doesn't think Diamond Shamrock still has available much of the \$700 million in cash it received when it sold its chemical company earlier this year.

He speculated that the cash might have been committed for debt payments and other items.

Although Bustos said he believed Mesa's offer was fair, he said, "I think Mr. (William) Bricker is intent upon maintaining the independence of Diamond Shamrock. That would also, of course, exclude a white knight."

Bricker is Diamond Shamrock's president and chief executive officer.

Diamond Shamrock, which posted a \$604.7 million loss for 1985, has spent the past year restructuring.

The company is now in a better position to be profitable and now has a more liquid balance sheet, analysts say.

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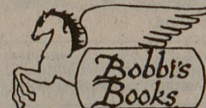
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