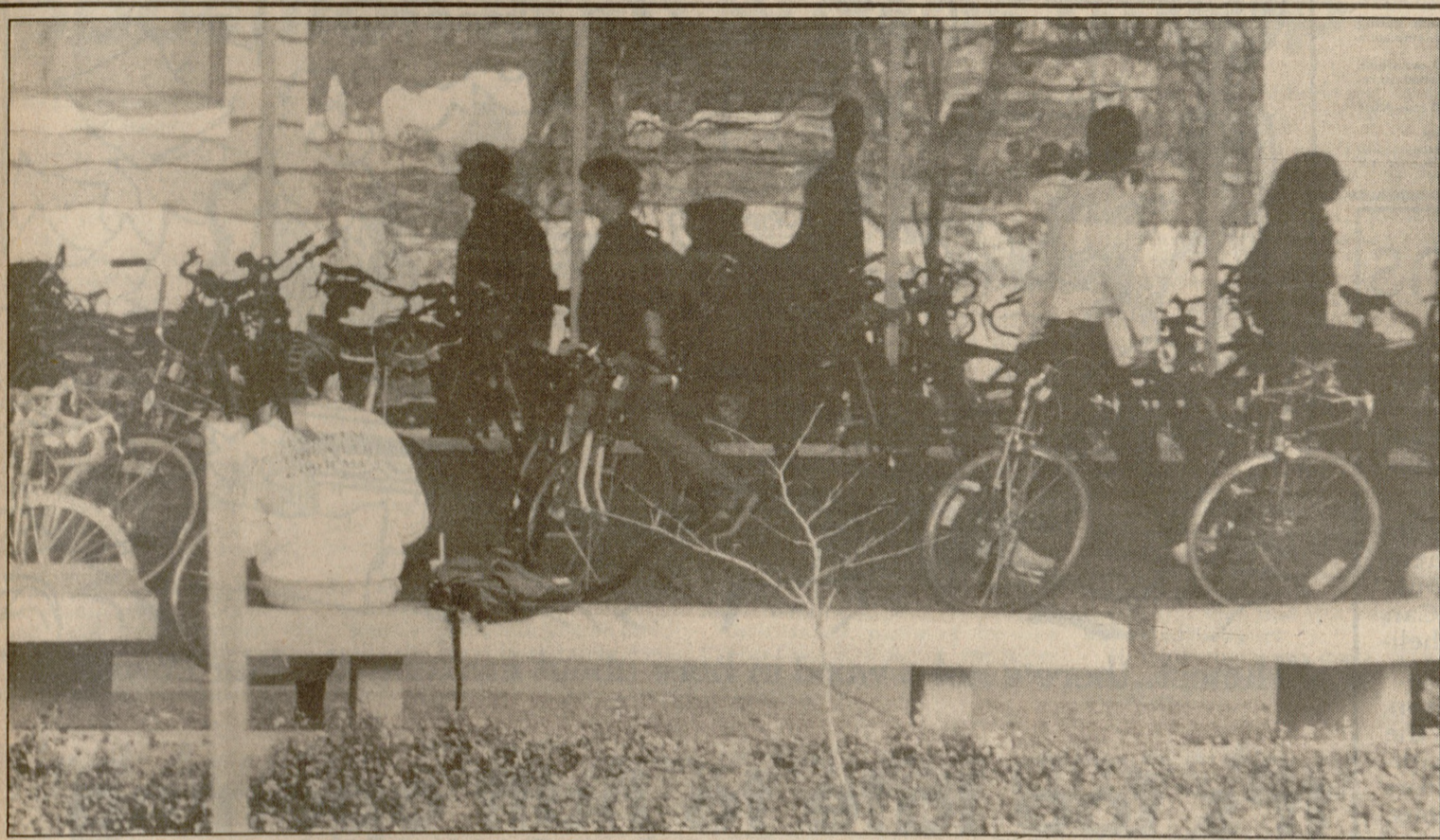


Texas A&M The Battalion

Vol. 87 No. 39 USPS 045360 10 pages

College Station, Texas

Friday, October 23, 1987



Check it out

A female A&M student checks out more than her books Thursday afternoon in front of the Sterling C. Evans Library.

Photo by Sam B. Myers

Reagan sees no indicators of recession

WASHINGTON (AP) — President Reagan said Thursday night he is willing to talk with congressional leaders about a tax increase to cure the nation's economic ills, and declared he sees "no indicators" of a recession ahead despite the battered stock market.

At his first White House news conference since March, Reagan said he believes Soviet General Secretary Mikhail Gorbachev will visit the United States this year to sign a path-breaking arms reduction treaty but has no firm word that the meeting will take place.

The president also defended the United States' naval presence in the Persian Gulf and said, "We are not there to start a war. We are there to protect neutral nations' shipping in international waters."

Reagan opened his first formal meeting with Washington reporters in seven months with a quip. "Seems like only yesterday," he said as laughter filled the East Room.

Reagan began with a progress report on first lady Nancy Reagan, who underwent breast cancer sur-

gery last Saturday and returned to the White House earlier Thursday. "It sure is good news to have Nancy back home, and she's doing just fine," he said.

The news conference came at a particularly difficult time in Reagan's administration. In addition to his wife's cancer, the president has had to grapple with the economic difficulty and a tense situation in the Persian Gulf and is awaiting word from Secretary of State George Shultz on possible progress toward an arms control treaty with the Soviet Union.

Reagan said there may be other volatile days ahead for the battered stock market, but "there are no indicators out there of a recession or hard times at all."

The president stressed that he was prepared to meet personally with congressional leaders to seek a deficit-reduction plan.

"I'm putting everything on the table with the exception of Social Security," Reagan said. "I call on the leaders of Congress to do the same."

Treasurer: A&M System puts hold on investments

By Tracy Staton
Staff Writer

The Texas A&M University System is waiting until the dust settles on Wall Street to make any changes in its investment strategy, System Treasurer Ralph Parman said Thursday.

"We have been advised by our investment advisory group to hold for right now," Parman said. "We stayed on the sidelines and watched everybody run around when the market dropped 500 points and have not gotten back into the market since then."

About 10 percent of the System's market portfolio is invested in stocks and 90 percent is in "low-risk" investments such as U.S. Treasury Bills, Parman said. He estimated that these investments had a market value of \$375 million before stock prices began dropping sharply last week, but could not estimate their current value.

"I don't have a final figure on what we have lost or gained," Parman said. "I can't even make an overall rule-of-thumb estimate. We have purchased stock at many price levels, so we have even experienced some appreciation."

Parman favors staying in a holding pattern until better predictions

Stocks fall in frantic trading, dash hopes for quick recovery

NEW YORK (AP) — Stocks tumbled in frantic trading Thursday, dousing hopes of quick recovery from the market's historic crash and raising fears of more violent financial spasms despite President Reagan's fresh assurances that the economy remains strong.

The Dow Jones average of 30 industrial stocks, the nation's best-known barometer of stock values, fell 77.42 points to 1,950.43 at closing. Losing stocks swamped gainers by a 5-to-1 margin on the New York exchange. Volume exceeded 392 million shares.

about the economic future can be made.

"I think the correct posture is to wait and see," he said. "We haven't seen the end of this stock market volatility. It will probably continue for a couple of weeks until the investors' confidence in the market is restored."

Parman is watching for signposts from monetary and fiscal policy that will point the way to a new investment strategy.

Stocks also dropped sharply in London, wiping out more than two-thirds of the gains in Wednesday's record trading.

In the midst of the worst crisis on Wall Street since the Crash of 1929, Reagan said Thursday night after the U.S. markets closed that there may be volatile days ahead but "there are no indicators out there of recession or hard times at all."

Reagan said he was prepared to meet personally with congressional leaders to seek a plan to reduce the budget deficit, which some analysts

"We're basically pretty confident in the economy right now," he said. "That's not to say that we aren't considering some changes, like selling some of the investments. There are a number of things that need to be considered."

Parman said the next three to five weeks will point the direction the economy will take in 1988. President Reagan holds one of the keys to reassuring investors, he said. The president needs to take steps to stabilize

the economy; one of the first ways to do so would be a reduction in the budget deficit, which Parman partially blames for Monday's panic in the stock market.

He also said the Federal Reserve Board needs to use monetary policy to stabilize the value of the dollar.

If these "positive steps" are not taken, Parman said, the System will need to modify its investment strategy. Several options have been outlined in case changes are necessary.

Robert Brusca, chief economist at Nikko Securities International Inc. in New York, said the stock market doesn't know what to do.

"The message coming through clear, loud and strong is that the market is looking for greater coordination of economic policies that we haven't seen in a number of years," he said.

Sell orders swamped the New York Stock Exchange when it opened after two days of partial recovery from the Monday crash.

"We have program options in place from consulting with our advisory group," he said. "For example, we could continue to wait and see until the market dies down or we could reduce our holdings in equity and take what's called a 'flight-to-quality' approach."

If the latter strategy is chosen, the System would transfer its investments in stock to U.S. Treasury Bills or U.S. government obligations, he said. Another option would be short-

ening the term of bonds it currently holds. For example, instead of buying six-month Treasury Bills, the administration could purchase three-month Treasury Bills. This would increase the liquidity of the investments.

Parman said the System takes a conservative investment stance.

"I think the No. 1 principle you have to observe when investing for state universities is protection of the principal amount," he said. "You have to remember your responsibility to the students and preserve your capital investment."

Investments are made on a perpetual basis; funds for these investments are earmarked by the fiscal officers of each part of the System. These funds are non-endowment funds and come from bond funds and proceeds, past earnings on investments and the Available University Fund, Parman said. Operating expenses are paid by liquidating the necessary amount of the investment and renewing the remaining amount.

Investment of non-endowment funds is regulated by the Texas Legislature. The majority of this money must be invested in U.S. Treasury Bills, state and municipal institutions and federal agencies.

Space-grant college program waits to get Reagan's approval

By Janet Goode
Staff Writer

The concept of "space-grant" universities, initiated by Texas A&M President Frank Vandiver in 1985 and proposed as a bill to Congress by U.S. Sen. Lloyd Bentsen, D-Texas, last year, has passed both the House of Representatives and the Senate and now is pending President Reagan's approval.

The bill, if passed, will create a space-grant college program and an accompanying fellowship program for graduate students.

If passed, the National Aeronau-

tics and Space Administration would have the authority to fund the program at \$10 million for 1988 and 1989, and \$15 million annually.

Vandiver said he came up with the idea two years ago and gained support from other faculty members and congressmen. He said he then proposed the concept to Sen. Bentsen who, he said, "sort of took it over and ran with the idea."

"He (Bentsen) never lost faith in the concept from that moment on," Vandiver said. "And now we are waiting for the president to sign it. I can hardly believe it."

Once passed, Vandiver said A&M

will be among the first institutions to apply for the new designation.

According to the bill, an administrator from NASA will be assigned to draw up an application for universities that want to become a space-grant university, he said. This process could take a year to complete, he said, but A&M will be ready and waiting to take advantage of the program when it comes through.

"We will certainly be there — I hope first in line — asking to become such a university," he said.

Becoming a space-grant university could mean more than just

money for graduate fellowships, he said.

The main function of the program is patterned after the sea- and land-grant concepts — to do research, gather knowledge and disseminate it to benefit everyone, he said.

"It will give us opportunity to interact with state and private industry interested in the area of space research," he said. "Our faculty and students could work with them on general research that could benefit

See Space-grant, page 10

Bryan bank closes; business to continue with new ownership

By Mary-Lynne Rice
Staff Writer

About 50 Federal Deposit Insurance Corp. employees began closing procedures at Bryan's Western National Bank at 1001 Villa Maria after the bank was declared insolvent at 3 p.m. Thursday.

Robert J. Herrmann, senior deputy comptroller of the currency, appointed the FDIC as receiver of the bank.

The bank will reopen at 9 a.m. today under new ownership. First State Bank in Caldwell purchased the bank's deposit base of \$15,381 million.

Because the FDIC insures deposits to \$100,000, most depositors' money is safe, FDIC Closing Supervisor Alan Rouse said.

However, "it won't be exactly business as usual," he said.

Excess deposits could be in jeopardy, he said. Depositors with more than \$100,000 may have to file claims for their money, he said.

"Obviously, customers of a failed bank want to be reunited with their money as soon as possible," he said. "That will be our first priority."

The Office of the Comptroller of the Currency cited a poor local economy, poor lending practices of prior management, ineffective

supervision by the board of directors and increasing liquidity demands resulting from a runoff of deposits as causes of the bank's decline.

Rouse said the runoff indicates it was "very likely" that depositors suspected that Western National faced trouble.

"A runoff of deposits is an erosion of the deposit base where people come into the bank and suspect or believe perhaps that the bank may fail or think that the funds are at risk, and they remove those funds from the bank and take those deposits somewhere else," he said.

Rouse said First State paid a \$5,000 purchase premium for the deposit base.

"Banks advertise on radio, television, newspapers and they say, 'Bring your money down to this bank because with these deposits, that gives us the foundation for being able to make loans,'" Rouse said.

"If you can buy a portion of that market share of deposits, that has got some value to it," he said. "In this case, the value was agreed upon as \$5,000 for the purchase."

"We'll transfer those deposits to the agent bank and the agent

See Bank, page 10

Pro-Iranian group threatens to bomb U.S. ships

BEIRUT (AP) — A pro-Iranian group that holds American and French hostages said Thursday that "thousands" of suicide bombers are poised for attacks against U.S. and European naval forces in the Persian Gulf.

The group, Islamic Jihad, claims to have carried out a series of suicide bombings against American and French targets in Lebanon in 1983 and 1984. The attacks killed more than 370 people, mostly American and French servicemen.

The threat was made in a typewritten Arabic statement, copies of which were delivered to the offices of Western news agencies in Beirut. It was accompanied by black-and-white photographs of American hostage Terry Anderson and French captive Jean-Paul Kauffmann.

Anderson, wearing a T-shirt, had a bushy

moustache and beard and was looking straight into the camera without his eyeglasses. The picture was different from the eight previous photographs of Anderson released by his captors.

Kauffmann, also with a bushy beard and moustache, wore a striped shirt under a dark nylon jacket. It was the first still picture of Kauffmann released by Islamic Jihad. His previous photographs in captivity were all taken from videotapes.

Neither captive looked fatigued. Anderson wore an expression of confidence while Kauffmann, a 42-year-old journalist, had a look of dismay. Both appeared to have lost weight.

Anderson, the 39-year-old chief Middle East correspondent for the Associated Press, was abducted in March 1985 and is the longest-held

hostage. Kauffmann was kidnapped two months later.

Islamic Jihad, or Holy War, holds another American and two other Frenchmen. The statement made no mention of hostages, not even the ones whose photographs accompanied it.

The Islamic Jihad statement said the Persian Gulf attacks would be patterned after the Oct. 23, 1983, bombings that demolished the headquarters of the U.S. Marines and French paratroopers in Lebanon, for which it claimed responsibility. The bombings, carried out by suicide truck drivers, killed 241 American servicemen at the Marines base and 58 Frenchmen at the other post. Both nations later withdrew their forces from Lebanon.