

What's News—

Business and Finance

THE PRIME RATE was raised to a record 12½% from 12% by Chase Manhattan, Bank of America and other major banks. The boost was seen as only a stepping stone to higher rates as banks' interest costs continue to rise.

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U.S. merchandise trade figures for last month showed that the deficit narrowed sharply to \$1.11 billion, the slimmest red-ink total this year, despite soaring oil-import costs. June's deficit was \$1.9 billion.

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GM and Ford made initial economic proposals to the Auto Workers union that included higher wages and pensions and more paid time off. Both sides indicated the pace of bargaining may be heating up.

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Chrysler is telling bankers it expects to post a loss of \$600 million to \$700 million this year and to be profitable in 1981, when it unveils a new line of compact cars. The estimates for 1979 would indicate a loss of as much as \$440 million in the second half.

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United Steelworkers' President Lloyd McBride predicted that the developing recession will close some unprofitable steel facilities. But he said that the union, as it plans its negotiating strategy, views the recession as a short-term situation.

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U.S. Steel plans to raise prices on carbon-steel plate products about 5.1% and on carbon-steel structurals about 4%, effective Oct. 1. It also increased the price of railroad wheels and axles.

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Wheeling-Pittsburgh signed agreements to obtain \$150 million in federal loan guarantees. As expected, the steelmaker drew immediate criticism from Bethlehem Steel and a suit from CF&I Steel.

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Building contracts awarded in July fell 1% to \$14.72 billion, the F. W. Dodge division of McGraw-Hill said. It cited "a recession added to the problems of inflation and high interest rates." Office-building construction continued strong, but industrial construction fell sharply.

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Unemployment insurance benefits have become so generous that many recipients lack financial incentive to get a job, said the General Accounting Office. A report by the GAO urges Congress to require recipients to pay taxes on the benefits.

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The Rock Island railroad was hit by a walkout of 1,700 workers. Government and private experts fear a long strike will stagger the nation's overburdened grain-transport system and deal a heavy blow to the troubled line.

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Louisiana-Pacific agreed to acquire Flintkote for \$392 million in cash and preferred stock. Flintkote, which has been fighting a takeover bid by Genstar, said talks on its sale to New York investors have ended.

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Capital-spending plans are relatively robust, the Conference Board indicated, although the economy is weakening. The board said that appropriations in the second quarter totaled \$21.4 billion, down 5% from the first period but up 42% from last year.

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Mutual funds would be allowed greater freedom to advertise their shares to investors under rule changes that will be considered by the SEC.

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Gold and silver futures prices hit highs as traders shrugged off such potentially bearish news as the increase in the prime rate. Silver broke the psychologically important \$10-ounce barrier for the first time.

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Markets—

Stocks: Volume 29,430,000 shares. Dow Jones Industrials 884.64, off 0.77; transportation 269.38, off 0.73; utilities 108.69, off 0.17.

Bonds: Dow Jones 20 bonds 85.47, off 0.04.

Commodities: Dow Jones futures index 412.60, off 1.76; spot index 403.21, off 0.56.

World-Wide

ANOTHER IRA BOMB exploded in Brussels, amid mounting outrage.

The bombing in Belgium, which injured more than a dozen people, came as a British army band prepared to perform for tourists. It followed the assassination of Lord Mountbatten and three others on a yacht and the killing of 18 British soldiers on Monday, the bloodiest day in Northern Ireland in 10 years.

The bombings prompted fresh calls for a new offensive against terrorism and tighter security arrangements. Officials are worried about their ability to control reprisals by paramilitary Protestant groups. An Irish government spokesman said a visit by Pope John Paul on Sept. 29 will go ahead as planned, but security will be increased.

The IRA bombing blitz underscores the political stalemate in Ulster and raises new questions about the British army's ability to control the terrorists.

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CHINA'S PREMIER ACCEPTED "with delight" an invitation to the U.S.

Vice President Mondale, concluding two days of talks with Chinese leaders, said Hua Guofeng had also expressed hope that President Carter would visit China next year. He said steps taken during his trip, including accords on cultural exchange and hydroelectric-power cooperation, have "laid the basis of our relationship for the 1980s."

Mondale said the U.S. and China agree on "a wide range of global and regional problems." He reiterated that the U.S. won't discuss normalized relations with Vietnam, a foe of China, unless Hanoi ends the occupation of Cambodia and the expulsion of refugees. But he denied that improved Sino-U.S. relations are "directed against anyone."

The U.S. isn't seeking a military relationship with China, Mondale said, and strengthening ties shouldn't be seen as a threat by the Soviet Union.

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Kurdish rebels in Iran should be crushed, not negotiated with, Ayatollah Khomeini told a new religious trouble-shooter he appointed for the region. Meanwhile, Khomeini's Islamic court chief in Kurdistan sent 20 more people to the firing squad in Saqqez, where a three-day uprising in support of Kurdish autonomy was put down Sunday.

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Bolshoi ballerina Ludmilla Vlasova was embraced by her mother at a Moscow airport and then told interviewers her 73½-hour delay in New York was "madness." The Soviet news agency Tass, referring to her husband's defection for the first time, said he disappeared "under circumstances which aren't yet clear." Vlasova's plane was held until U.S. officials determined she was returning to Moscow freely.

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Ronald Reagan's closest aide for 13 years quit the former California governor's presidential campaign in a dispute over political strategy. Lyn Nofziger, a staunch conservative, reportedly opposed moves to make Reagan appear more moderate. Reagan is the frontrunner in the race for the Republican presidential nomination.

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Heating-oil stockpile goals for the winter will be reexamined, Energy Secretary Duncan promised Northeastern governors on his second day in the job. The governors had complained that U.S. rules are creating shortages. Administration energy policy will be a major issue in the early presidential primaries in New Hampshire and Massachusetts.

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More curbs on nontoxic pollution of U.S. waters were canceled by the EPA. The agency's actions carried out congressional changes in the Clean Water Act and affect "conventional" pollutants, including suspended solids, oil and grease and certain bacteria. The EPA estimated the saving to industry at up to \$200 million.

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Japan will hold general elections Oct. 7, Prime Minister Masayoshi Ohira announced. His Liberal Democratic Party will seek a stronger position in the Diet's lower house, where it has had difficulty passing legislation. A substantial victory would boost Ohira's career, increasing his chances of continuing as party president.

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Teachers' strikes continued in school districts in eight states. In Oklahoma City, where a walkout by 1,000 teachers was in its fifth day, the school superintendent refused to resume bargaining, citing a state law that makes teacher strikes illegal. Additional walkouts are possible next week in Detroit and Indianapolis.

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Hurricane David bore down on Barbados, with winds of 75 m.p.h. or greater extending 100 miles in all directions. Bridgetown, the Caribbean island's capital, resembled a ghost town as residents and tourists heeded warnings to exercise "maximum precautions." Forecasters said David could be the worst threat to the Windward Islands in 88 years.

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Freedom for four Puerto Ricans imprisoned for terrorist attacks in the 1950s was recommended by the Justice Department's pardon attorney. Secretary of State Vance is reported to favor commuting their sentences, too, on humanitarian and foreign policy grounds. Cuba's Fidel Castro has promised to release four jailed Americans in return.

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The discovery of a particle called the gluon that holds together the centers of atoms like glue was announced by physicists at a conference in Batavia, Ill. Any practical application is at least 50 years away, the scientists cautioned. But they compared the discovery with the development of quantum mechanics, which paved the way for transistor radios, televisions and X-ray machines.