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Fading Fervor

Many Iranians Become Irritated With Regime Dominated by Clergy

Economic Controls and Cuts In Income Stir Up Anger; Bribery Is Also Charged

An Opportunity for Leftists?

The bazaar merchants of Tehran, once enthusiastic financial backers of the Iranian revolution, now are passing around a new version of an old joke that illustrates their dismay with the current regime.

The joke goes like this: Ayatollah Ruhollah Khomeini places a telephone call to hell and asks for the shah. When the ayatollah has finished berating the late monarch for the miseries of Iran, he asks the operator what he owes for phoning hell.

Iran, of course, isn't yet a hell. But in the two years since the revolution, many Iranian

have stopped blaming the "satanic" U.S. as the sole cause of their problems. Frustration with the new, clergy-dominated Islamic regime appears to be widespread in Tehran.

Mehdi, a bazaar merchant who sells appliance parts, typifies the current disillusionment. Two years ago, he eagerly supported the Islamic revolution.

The glow of the revolution has also worn off for Karim, a 50-year-old construction worker. Mr. Karim has been unemployed for the past two years, and he spends much of his time these days worrying about rationing coupons and food queues.

The queues for milk begin forming at five in the morning. "If you are late, you have to do without milk," Mr. Karim says. The same applies to gasoline, bread, sugar and other necessities.

Through Tehran, Iranians willing to talk to foreigners express the same dismay with the ruling mullahs. A taxi driver boldly announces that he won't carry "priests or prostitutes" in his cab.

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Blunt Assessment The ayatollah's grandson Hossain, a mullah himself, offers this blunt assessment of the post-revolutionary letdown: "I am very sorry to see my people looking miserable, the smile dead on their lips, and their heads hanging down."

Iranian moderates seem increasingly worried that the nation's current political turmoil—with the mullahs bickering almost constantly with Iran's president, Abolhassan Bani-Sadr—could provide an opening for Communists and other leftists.

For example, Sadeq Ghotbzadeh, Iran's former foreign minister, contends that the real "threat" to Iran doesn't come from the mullah-dominated Islamic Republic Party (IRP) but from "the Communists who have infiltrated this group."

"The Communists have a detailed plan," Mr. Ghotbzadeh says ominously. He argues, for example, that the Soviet-financed Communists are spending about \$700,000 a week in Tehran to build their political organization.

At the same time, he adds, the Communists are trying to weaken moderates such as himself and President Bani-Sadr.

"Once they isolate us, they try to destroy us," Mr. Ghotbzadeh says. "That's the danger. They want to isolate us and then they will destroy us."

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Fading Fervor: Many Iranians Now Dislike Clergy-Dominated Regime

Continued From First Page Mr. Ghotbzadeh says bitterly. He says that to counter this threat, he has "started meeting informally" with other centrists in hopes of forming a new political party.

Mehdi Bazargan, Iran's former prime minister and a leading moderate, argued in a recent issue of his newspaper, Mizan, that Marxists are gaining strength in the country.

Mr. Bazargan's newspaper also criticized the IRP for allowing Communists to take important positions with the national radio and television organization. A few days later, Mizan, which has a circulation of about 100,000, was closed by order of the mullahs.

President Bani-Sadr and the moderates also got some blame for Iran's political disarray. Vahe Petrossian, an Iranian journalist who is a correspondent of the London-based Middle East Economic Digest, concedes that the president's main weakness is a lack of leadership.

Despite Iran's political disorganization, some areas of the economy seem to be working fairly smoothly. Iranian oil officials say the country is currently producing 1.2 million to 1.5 million barrels a day and exporting most of that production from Kharg Island in the Persian Gulf.

"Too Many Speeches" "We have had too many speeches," says Jamil Noorani, an Iranian who sold tape-recorder cassettes until the authorities banned popular music.

The mullahs have been bickering, he notes bitterly, the Behesht Zara cemetery in Tehran has been extended to accommodate more bodies from the war front.

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MGM Grand to Reopen

LAS VEGAS—MGM Grand's rebuilt Las Vegas profited early July reopening, hoping for normal profitability in the ending Aug. 31, Alvin Bellini, chief operating officer, said.

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Tax Report

A Special Summary and Forecast Of Federal and State Tax Developments

COLLECTING the oil "windfall" tax puts a strain on IRS resources. The IRS allotted 875 positions and \$20 million to minding the new tax in fiscal 1981.

The IRS allotted 875 positions and \$20 million to minding the new tax in fiscal 1981. It has one million to two million taxpaying producers, 16,000 operators, 500 tax-collecting "first purchasers," and four million information forms to monitor.

But windfall taxes hit \$10 billion in 1980 and will average over \$20 billion from 1982 on, Egger says. The IRS plans to audit 265 first purchasers and 1,600 operators this year; collections of deficiencies begin in 1982.

The IRS did "a very good job" of setting up systems to administer the tax and has done "a pretty good job" overall, William J. Anderson of the General Accounting Office told a House committee recently.

The IRS's 1982 budget request allots 1,050 positions and \$24 million to this effort—again taken from other activities.

THE FAMILY TRUST: Don't bank on it to save you any taxes. A popular scam of the 1970s was to assign your assets, income, and services to a family trust.

A popular scam of the 1970s was to assign your assets, income, and services to a family trust. Promoters claimed a trust could lower your tax bracket by paying you a fee for "services" and paying your living costs as a tax-free fringe benefit.

But in a continuing flood of cases, courts say this is a tax-avoidance sham without "economic reality," based on "meaningless pieces of paper."

In the case of Louis P. Contini, a St. Clair Shores, Mich., engineer, Tax Court Judge Parker has gone a step further. She ruled that \$2,000 that he paid to Educational Scientific Publishers (named in many such cases) for forms, instructions, and services related to forming a trust isn't deductible as a cost of producing income.

WHAT'S "SIGNIFICANT" to an IRS auditor? Here are some guidelines. The IRS recently told auditors to focus on "significant" return items.

The IRS recently told auditors to focus on "significant" return items. The meaning of the word depends on the auditor's "perception," it conceded, but six factors must be considered.

Comparative size: A dubious expense of \$6,000 out of a \$30,000 total is significant; ordinarily wouldn't be in a total of \$300,000. Absolute size: \$50,000 may be a small part of income, but still significant.

Character: The amount may be small, but the nature telling, such as airplane costs on a plumber's return.

Evidence of intent to mislead: Such as missing, incomplete, or incorrect items or schedules. Beneficial effect of the manner of reporting: Costs claimed on a business schedule rather than as an itemized deduction may be significant.

Relationship to other items: Deduction of real-estate tax, but not of interest, may be significant, as may a lack of dividend income when stock trades are shown.

Auditors are to consider missing items that normally appear on returns of the same class—including items favorable to the taxpayer.

PAY UP, UNCLE SAM! The U.S. Geological Survey, long criticized for failing to collect up to \$1 million a day in oil royalties due the U.S., now owes a big overdue "windfall" tax on federal oil.

SOLAR-ENERGY tax incentives were enacted in 11 states in 1980, according to Commerce Clearing House. That brings the number offering such breaks to 44, says the National Solar Heating and Cooling Information Center.

NEW PRESTIGE for economists? The New York State Tax Commission rules they may qualify as "professionals" exempt from the state unincorporated-business tax on fees for services to government entities; they're still taxable on other fees, however.

ALL THE RIGHT MOVES: You must make them to deduct moving expenses. Job-related moving costs are deductible on certain terms. One test requires full-time work in the new job's general area for 39 of the following 52 weeks.

There's a waiver for death, disability, involuntary job loss or re-transfer for the employer's benefit, Mary K. Mimmies Muse, a supervisory auditor for the U.S. General Accounting Office, deducted \$6,143 for a transfer from Honolulu to Washington. After 34 weeks, she took a year's leave to work on a master's degree at Baylor University, Waco, Texas.

The IRS denied her deduction because of her second move. Muse argued her studies were for GAO's benefit; but Tax Court Judge Simpson said the waiver covers only transfers initiated by the employer, not the employee. Muse argued she retained the status of full-time Washington employee while on leave. But the judge said her long absence fell outside the standards set for full-time employees; also, she would have had to stay in the Washington area to qualify.

Muse wasn't entitled to deduct the moving expenses, the judge ruled.

BRIEFS: Senate Finance subcommittees plan a hearing Friday on taxation of Americans working abroad and another May 1 on estate and gift taxes. The IRS has prescribed its expected procedure for a ruling on whether certain concerns constitute an affiliated service group for pension purposes. The IRS plans hearings April 30 in Philadelphia, St. Louis, Dallas, and Los Angeles to seek comments on tax forms.

The chosen site: the rib cage. Cocktail waitresses were less troublesome, because their only required identification is a small code number. That fits nicely behind their Bunny ears.

—SCOTT R. SCHMEDEL

Money Inc.

Wall Street Mergers May Basically Change U.S. Financial System

Giants Ultimately May Offer Securities, Credit Cards, Insurance, Bank Services

Other Combinations Likely

By RICHARD E. RUSTIN Staff Reporter of THE WALL STREET JOURNAL NEW YORK—Wall Street, no stranger to upheavals, is feeling new tremors that could fundamentally alter America's financial system.

Setting off the rumblings are the \$864 million proposal formally announced yesterday for American Express Co. to acquire Shearson Loeb Rhoades Inc. (see story on page 3) and the \$385 million acquisition this month of Bache Group Inc. by Prudential Insurance Co.

Although the marketing programs that inevitably will spring from these alliances are still just glimmers in the eyes of the suits, Wall Street leaders expect major changes in the way financial and investment services will be offered to millions of Americans.

The concept of one-stop financial shopping is a giant step closer to reality, they say, with these proposed acquisitions of two of the securities industry's largest firms by the nation's No. 1 credit-card company and the No. 1 insurance company.

Ultimately, the consumer will be able to deal with one corporate giant to fill his banking, insurance, investment and credit-card needs, analysts say.

The merger moves also could speed automation of stock-exchange trading and help topple barriers against bank participation in the securities industry.

Although the major Wall Street competitors of Shearson and Bache all say they aren't contemplating any similar alliances, two of the biggest—Merrill Lynch & Co. and Dean Witter Organization Inc.—indicate they will push ahead with diversification efforts to keep pace.

Given Wall Street's traditional urge to protect threatened flanks, analysts expect other major firms soon to be propped into combinations with major financial institutions.

"The industry will be going from investment services, which are seasonably cyclical, to more fundamental services, like insurance and credit," says Donald B. Marron, the chief executive of Paine Webber Inc. "We certainly are going to look at these things; it would be imprudent if we didn't."

Paine Webber already is 22% owned by INA Corp. of Philadelphia, a financial-services concern. That interest was inherited last year when Paine Webber acquired Blyth Eastman Dillon & Co. from INA and others. Mr. Marron says that the merger agreement limits INA's potential position in Paine Webber and that no discussions have taken place about any expansion of INA's interest. However, he adds, "Any intelligent person looking at the two (recent) acquisitions also has got to look carefully at the shape of the industry and the role of his firm."

Other insurers are expected to look with favor on the idea of brokerage-firm acquisition.

TOP EIGHT PUBLICLY HELD SECURITIES FIRMS

Calendar 1980 Revenues Sales (In millions of dollars) Offices

Table with 3 columns: Firm Name, Revenues, Sales, Offices. Includes Merrill Lynch, Hutton, Paine Webber, Shearson, Dean Witter, Bache, Donaldson Lufkin, and A.G. Edwards.

*Year ended Jan. 31, 1981 **Year ended Feb. 28, 1981

tions. Brokerage firms, one insurance executive notes, offer insurers "a distribution network as well as a stable of financial products" that include money-market funds, mutual funds, stocks, and tax shelters.

The acquisitions "introduce a whole new competitive era" on Wall Street, says Andrew Melton, the chairman of Dean Witter. "We don't have any plans to follow the two," he adds, but Dean Witter is considering doubling its life-insurance operations through an acquisition, and it plans to start offering its own real-estate tax-shelter packages.

Wriston's Observations Roger E. Birk, the chairman of Merrill Lynch, which operates the nation's largest securities firm, says, "It isn't in our plans to be acquired. But we're looking at other areas to fill out our hand." These include new ventures in leasing and financing, he says.

Commercial banks, viewing expansions by financial-services competitors in the credit and insurance fields, are likely to increase pressure on Congress for softening of the Glass-Steagall Act of 1933, which, in effect, bars banks from underwriting corporate securities, says Mr. Birk of Merrill Lynch.

"All people in the financial-services industry, and certainly banks, are going to examine what's happened and see what its effects are going to be."

Walter B. Wriston, chairman and chief executive of Citicorp, operator of Citibank, Please Turn to Page 27, Column 1

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Foreign Exchange

Table with 2 columns: Market Name and Value. Includes Foreign Markets, Gov't. Agency Quotes, Int'l. News, Money Rates, NYSE Highs/Lows, Securities Markets, and Tax-Exempts.

Who's News

Table with 2 columns: Name and Value. Includes Who's News, Who's News, Who's News, Who's News, Who's News.