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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. "No charge, the operator says. "That's a local call."

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

This story was written by David Ignatius, The Wall Street Journal's Mideast correspondent, on the basis of reports from persons recently in Iran.

ans 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. And some moderate Iranians fear that this discontent could open the way for a leftis' pro-Soviet government.

dehdi, a bazaar merchant who sells ap pliance parts, typifies the current disillusionment. Two years ago, he eagerly supported the Islamic revolution. He believed that it would stop the expansion of multina tional corporations in the Iranian economy and give the bazaar merchants a greater

Tight Economic Controls

But these days, Mr. Mehdi's big problem is the mullahs themselves. The religious leaders of the ruling Islamic Republic Party, which controls the Iranian parliament, have established new "procurement centers" that dictate what the merchants can import and what prices they can set. In this controlled economy, Mr. Mehdi's income has tumbled from the equivalent of \$3,000 a month that he earned before the revolution to about \$1,000 a month.

"It is so frustrating we might as well pack up," Mr. Mehdi says glumly. He is thinking of leaving Tehran and going south have less economic power.

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 you are late, you have to do without milk," Mr. Karim says. The same applies to gasoline, bread, sugar and other necessities. Mr. Karim's family has one mixed blessing: It can use the coupons allotted for its 20-year-old son, Abee, who has joined the "revolutionary guards" and is off at the battlefront fighting Iraq. **Avoiding Friday Services**

With all his mundane worries, Mr. Karim has stopped attending the Friday prayer services at Tehran University. These gatherings were once joyous celebrations of the Islamic revolution, but attendance now is about one-third what it was in the heady days of 1979. "It isn't exciting anymore." Mr. Karim says.

Throughout 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. An airline attendant points to two mullahs on a flight to Tehran and whispers, "They are the ruination of my country." An office secretary tells a visiting photographer to change his position so that a photo of her won't show a mullah's portrait in the background.

Ayatollah Khomeini, the nation's top religious leader, seems to retain enormous per sonal popularity. He also appears to share the widespread public mistrust of some of his fellow clergymen. He advised his followers several months ago that "just because I wear a turban doesn't mean that all clergy have to be supported. I hate a great many of them and have no faith in many others.' 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," young Hossain said several weeks ago, according to the Iran Press Service, which is published by exiled Iranian journalists.

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, Sadegh 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." Mr. Ghotbzadeh doesn't name names, but he insists in an interview that Communists associated with Iran's Tudeh Party have been using the IRP

for a purpose. '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 Please Turn to Page 26, Column 1

THE WALL STREET JOURNAL, Wednesday, April 22, 1981

B. Fading Fervor: Many Iranians Now Dislike Clergy-Dominated Regime

Continued From First Page us," Mr. Ghotbzadeh says bitterly. He says that to counter this threat, he has "started meeting informally" with other centrists in

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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. He called them "sprayers of poison" and said that because of the country's disarray, many Iranians are "following this

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 (but it has since received permission to resume publication).

President Bani-Sadr and the moderates also get some blame for Iran's political disarray. Vahe Petrossian, an Iranian journalist who is a correspondent of the Londonbased Middle East Economic Digest, contact of the Londonbased Middle East Economic Digest Dig tends, "The president's main weakness is one of leadership." He says that, by failing to exercise power effectively, Mr. Bani-Sadr has handed control of the country to the

"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. While the moderates and the mullahs have been bickering, he notes bit-terly, the Behest Zara cemetery in Tehran has been extended to accommodate more bodies from the war front.

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.

FERC Keeps Policy Giving Price Break To Industrial Users

By a WALL STREET JOURNAL Staff Reporter WASHINGTON-Federal energy regulators decided to retain policies giving industrial natural-gas users a price break as phased gas deregulation takes effect.

Without dissent, the Federal Energy Regulatory Commission proposed to continue its

rate. Rothm approached other U.S. tobacco compawas said to be nearly comatose because of a nies recently, including Philip Morris. 52-day hunger strike. which declined comment. (Story on Page 6)

A national-market test was postponed by the SEC until March 1, 1982. The experiment, linking the OTC and seven exchanges, had been scheduled for Sept. 30, but the industry said the deadline couldn't be met. (Story on Page 8)

SEC chairman Shad is expected to give priority to selecting a new enforcement chief to replace Stanley Sporkin, indicating the direction the agency will take. He gave few clues at confirmation hearings. (Story on Page 12)

Polaroid said it will introduce another instant photography system for the amateur market at the end of May. Details weren't released, but it's rumored the system could be in the 35-

(Story on Page 3)

Satellite TV broadcasts directly to homes were approved by the FCC. The agency accepted the first application for the service, expected to start in about five years, from a Comsat subsidiary.

(Story on Page 25)

A&P's acquisition of Niagara Frontier Services, a Buffalo, N.Y., food chain, was agreed to in principle. The transaction is valued at up to \$83.6 million.

(Story on Page 20)

General Electric accused the NRC of making an unfair public attack on the safety of GE nuclear reactors. The company said a commission report on possible leaks in the reactors was unfounded.

(Story on Page 10)

Markets-Stocks: Volume 60,280,000 shares. Dow fones industrials 1005.94, off 10.00; transportation 439.02, off 5.82; utilities 107.09, off

Bonds: Dow Jones 20 bonds 60.86, off 0.28, Commodities: Dow Jones futures index 420.28, up 1.93; spot index 407.88, up 0.87.

TODAY'S INDEX

The oil revenues are allowing the country to increase some crucial imports, such as British-made auto parts for the Paykan cars that are assembled at a factory near Tehran. The Iranians are also eager to resume work on some big projects halted by the Iraq-Iran war, such as a \$3.5 billion petrochemical complex being built at Bandar Khomeini with Japanese help.

But other sectors of the economy clearly aren't working. Large shantytowns have sprung up near the Tehran airport, and roaming the city's streets are many new peddlers trying to scratch out a living. So many middle-class Iranians were trying to find work as "fraders" in the year after the revolution that the Tehran Chamber of Commerce had to issue 100,000 new commercial cards, according to a newsletter, Middle East Executive Reports.

Output Declining

President Bani-Sadr conceded last month that the country's output of goods and services declined at least 10% in 1980, following declines of 13% in 1979 and 9% in 1978. Meanwhile, Iran's international credit rating has plummeted to 94th out of 100 countries surveyed by one international rating

Iranian merchants increasingly blame the mullahs for the country's economic problems. Some even contend that clergymen are accepting bribes in the way that the shah's officials used to. The system is said to work this way: A merchant will request authority to sell rice at \$1.50 a kilogram. A religious official will insist that the rice be sold at \$1 a kilo-unless the mer-

chant shells out \$300 on the spot.

The mullahs reply that the merchants are complaining only because the Islamic government won't let them fix prices anymore. Indeed, a recent article in the clergydominated Ettalaat newspaper argued that perhaps the bazaar should be abolished because the merchants "are bent on making money and don't have a true faith."

to oil-based fuels and increase the nation's dependence on imported petroleum.

Under the 1978 law, the commisson might have been obliged eventually to set higher gas-price ceilings for companies that could otherwise burn only costlier oil fuels. Its proposed rule frees it of that obligation, un-

With the oil-price rises of the past two years, the commission's 1979 fears about fuel-switching are less pressing. Now, though, agency officials maintain that establishing additional price categories will be additional price categories will be a second or the past two years. lishing additional price categories will make the already complex system even worse. Also, they say, some companies might ac-

orcing hundreds of businesses to close. Po

Pakistan's foreign minister said the U.S.

is proposing a five-year program of eco-

nomic and military aid. Secretary of State

Haig said aid totals haven't been settled yet.

The White House has announced \$500 million

in proposed assistance for fiscal 1982 and re-

portedly plans a similar amount the follow-

More Soviet troops entered Kabul to

counter rising urban terrorism, travelers

from Afghanistan said. Thousands of rein

forcements reportedly have been sent to Af-

ghanistan because insurgents currently con-

Moscow is convinced Poland can solve its

own problems, a Soviet official said at the

36th-anniversary celebration of their friend

ship treaty. Polish newspapers returned the

praise, calling stronger ties essential for ov-

ercoming Poland's problems. Underlining

Former Vice President Agnew shared in

kickbacks of 3% to 5% on state road con-

tracts while governor of Maryland, a code-

fendant said on the opening day of their

trial. The taxpayer suit, in which Agnew has

been excused from testifying, seeks to have

Tennessee liquor stores kicked back 20%

of their profits to Ray Blanton to get licenses

when he was governor, federal prosecutors

charged in opening arguments. He and two

ex-aides are accused of conspiracy and mail

fraud. Blanton was ousted three days early

Labor Department officials proposed to

expand a 1978 suit alleging "gross misman-

agement" of assets by officials of the Team-

sters union's Central States Pension Fund

The proposal concerns nearly \$300 million in

transactions the department said it lacked

information on when filing the original suit.

Reagan made a surprise phone call to

Rep. Eugene Atkinson (D., Pa.) on a radio

talk show. The recuperating President

called Atkinson as part of a push for con-

gressional support on budget proposals and

reached him at the Beaver Falls, Pa., sta-

Damages of \$2.3 million were awarded to

the family of a man who died in the 1979

crash of an American Airlines DC-10 that

killed 273. The jury's award, the largest yet,

brings to \$8.3 million the total of awards and

settlements made during the past month.

tion. Reagan told listeners he felt great.

in 1979 amid disputes over his pardons.

him repay \$200,000 he allegedly received.

the crisis, Warsaw stiffened food rationing.

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also, they say, solide of burning less than the quire boilers capable of burning desphere—players gawking at the gas ceiling prices. That formula softened sive oils—even if those boile Bunny dealers and wildly tossing counterfeit currency around with no worries. Congress's suggestion, in the Natural Gas Minister Thatcher's reduced to nave Tusal to grant political-prisoner status to Bobby Sands, a jailed IRA guerrilla with the solution of winning play money." coes Described to the sive oils—even if those boile Bunny dealers and wildly tossing counterfeit currency around with no worries about tomorrow. "I get a vicarious thrill out of winning play money." coes Described to the sive oils—even if those boile Bunny dealers and wildly tossing counterfeit currency around with no worries. Bobby Sands, a jailed IRA guerrilla with the sive oils—even if those boile and the sive oils—even if the sive oils—even if those boile and the sive oils—even if the sive

good there's a waiting list. Robert Downey gets his kicks by playing the big-time-gambler part to the hilt. Saboteurs in South Africa blew up two walked up to the craps table with \$2,000 and transformers at a power plant near Durban, felt really big," says the husky, mustachioed young man. He nonchalantly drops a ice said the disruption was the largest vet cool \$1,000. "But if it had been real, by black guerrillas fighting the white-minorsays, "I'd be out on the pier right now, thinking about going over the edge.

The crowd is positively rowdy. A man in blue jeans shakes his curly red hair and shouts and claps when he or his friends win. Harry Stasen, a student who has been trained to deal craps and is learning roulette, razzes the dealers and places crazy bets that require complicated payoffs.

Many of the players, it turns out, are employes of other casinos, who aren't allowed to gamble when the money is real. This is a rare opportunity for them. "It's not like real money, but we aren't picky since it's our only chance to play," says a floorman from Caesars Boardwalk Regency. He's out for a big night in his black cowboy hat with a red

But what's all frivolity for the fun-lovers is serious business for casino executives. To them the play-money nights-Playboy had two of them-are a kind of final examination. They are eager to graduate to hard currency.

Ashes in the Roulette Wheel

Playboy passed handily, partly because

Atlantic City has by now developed a labor pool of experienced casino workers and partly because the casino had conducted some tough practice sessions of its own. "After what we did to the dealers, the

state looked tame," says Terry Mahoney, a cigar-smoking pit boss with a heavy British accent. During in-house training, Playboy's dealers faced such simulated obstacles as drunk players dropping cigaret ashes into the roulette wheels. Even with the practice, though, the deal-

ers made some goofs under the pressure of play-money night. Some of them had trouble dding the card values in blackjack, some nisplaced chips and others erred in calculating payoffs. One blond Bunny kept pestering her pit boss with questions about betting limits and payoffs, and a roulette croupier giggled nervously as she spilled stacks of chips on the numbered part of the table.

But the most monumental problem the Bunny dealers presented was where to pin the required New Jersey casino license. In most casinos, dealers attach the tags to a lapel or shirt pocket, but, alas, the Bunny outfits are far too skimpy for that.

People felt that the licenses were unsightly and would damage the aesthetics.' says Marilu Marshall, vice president for casino regulation at Playboy Enterprises Inc. There was much discussion of the sub-

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.

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 It has one million to two million taxpaying producers, 16,000 operators, 500 tax-collect ing "first purchasers," and four million information forms to monitor. But Reagan officials erased the \$12.8 million and 601 new jobs that Carter officials put in the IRS budget for the task, so staffers all come from other functions. Commissioner Egger estimates that cuts other audits by 3,700 returns -with deficiencies of \$150 million.

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. 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; the trust could deduct the payments as business costs and escape tax itself. 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, managing income-producing property or determining taxes or as an educational expense.

WHAT'S "SIGNIFICANT" to an IRS auditor? Here are some guidelines.

The IRS recently told auditors to focus on "significant" return items. The meaning of the word depends on the auditor's "per-ception," it conceded, but six factors must be considered. Comparative size: A dubious expense of \$6,000 out of a \$30,000 total is significant; it ordinarily wouldn't be in a total

small part of income, but still significant. Character: The amount may be small, but the nature telling, such as airplane costs on

Evidence of intent to mislead: Such as missing, incomplete, or incorrect items or vices concern. That interest was inherited schedules. Beneficial effect of the manner of last year when Paine Webber acquired reporting: Costs claimed on a business Blyth Eastman Dillon & Co. from INA and 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. Geolog ical Survey, long criticized for failing to col lect up to \$1 million a day in oil royalties due the U.S., now owes a big overdue 'windfall" tax on federal oil. It expects to make its first payment next month.

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" exemp 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 retransfer for the employer's benefit. Mary K Minnies Muse, a supervisory auditor for the U.S. General Accounting Office, deducted \$6,143 for a transfer from Honolulu to Washngton. 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 employe. Muse argued she retained the status of full-time Washington employe while on leave. But the judge said her long ab sence fell outside the standards set for full time employes; 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.

-SCOTT R. SCHMEDEL

Money Inc.

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

35 CENTS

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 sys-

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 suitors, Wall Street leaders expect major changes in the way financial and investment services will be offered to millions of Ameri-

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.

All-Purpose Giant

Ultimately, the consumer will be able to deal with one corporate giant to fill his banking, insurance, investment and creditcard 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 competi tors 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 ef-

forts to keep pace.

Given Wall Street's traditional urge to protect threatened flanks, analysts expect other major firms soon to be propelled into combinations with major financial institu-

"The industry will be going from investment services, which are seasonably cyclical, to more fundamental services, like insurance and credit," says Donald B. Mar-ron, 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-serothers. 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

Other insurers are expected to look with

favor on the idea of brokerage-firm acquisi-TOP EIGHT PUBLICLY HELD SECURITIES FIRMS

Calendar 1980 Revenues Sales (In millions of dollars) Offices 1. Merrill Lynch \$3,022 471 2. Hutton 1,125 274 3. Paine Webber 996 232 4. Shearson 862 270 5. Dean Witter 788 300 6. Bache 706* 200

485

182**

16

8. A.G. Edwards *Year ended Jan. 31,1981

7. Donaldson Lufkin

**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 pack-

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

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

"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