

News Summary JAN 31 1977

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Business/Finance

With skepticism is the way businessmen and economists view the most novel element in President Carter's proposed tax relief for business, which is an optional tax credit tied to an employer's Social Security tax payments. The Carter economic stimulus program is widely regarded as insufficient, and the Social Security, or payroll, tax credit is looked upon as especially dubious. [33:6.]

The Treasury, with the Federal Reserve's support, will be active in the debt markets every day this week as it sells \$15 billion of bills, notes and bonds to refund maturing securities and to raise \$3.7 billion, cash. [33:4-5.]

Corporate profits in the fourth quarter of 1976 are showing moderate to relatively strong gains, according to company reports. Earnings of chemical companies and banks in 1977 will probably increase an additional 8 percent and as much as 20 percent for oil companies and some steel companies, but profits of many brokerage houses, according to economic forecasters, are expected to decline this year. [33:1-3.]

Natural gas, which has become an essential fuel for homes and industry, piped across the country, was once only a by-product of petroleum exploration and for years it was burned away in Texas as a waste material. Only a quarter of each year's production goes to homes; the rest is consumed by industry. The development of the natural gas business is traced from its beginning on Texas oil fields. [33:1-5.]

Collectors of peculiar words may pick up two used by traders in commodity futures—"backwardation" and "contango." Backwardation is a price structure in which the nearer deliveries of a commodity cost more than contracts that are due to mature many months in the future. A typical case of backwardation is offered by the cocoa futures market, where the near March contract closed last Friday at \$1.75 a pound, and the March 1978 delivery finished at \$1.4015. A classic contango situation is offered by the silver bullion futures market. Last Friday, the near March delivery in New York closed at \$4.48 an ounce, while the March 1978 ended the week at \$4.759. [34:5-6.]

Cold Weather

A "permanent, very serious energy shortage" probably faces the country, President Carter said when he flew by helicopter to a plant in the Pittsburgh area that has been affected by the cold. Conservation "will be the major component" of a comprehensive national energy policy he will send to Congress no later than April 20, the President said. [Page 1, Column 6.]

Pennsylvania's Fayette County, once the "soft coal center of the world," is one of the areas in the Northeast suffering most from the cold. The County Commissioner reported that 500 families were without heating fuel and that emergency lines were clogged all day with new pleas for help. The county's 154,000 residents live atop a huge coal deposit, but most have switched from coal to oil or gas for heating and now must depend on Texas and Saudi Arabia for fuel. [1:2-4.]

Utilities suddenly canceled a plan to stop natural gas service to about 5,500 industrial and commercial users and saved 71,000 jobs in New York City and Westchester County, and Federal officials said the danger of interruption in gas service to homes had diminished. But the severe cold still kept more than 1.5 million workers across the country idle and may force more people from their jobs later this week. [1:5.]

International

He did not know in advance that the State Department press office would issue a warning to the Soviet Union about silencing Andrei D. Sakharov, President Carter said. The statement, however, "was my attitude," he said. "We're not going to back down on human rights," he declared. [1:1.]

A close look at dissident movements in several countries of the Soviet bloc finds that open criticism and protest

have intensified recently and seem to be gaining strength and urgency. [1:1-2.]

National

A new gas field discovered in Texas could provide enough gas to the entire country for six months. But its owner is reluctant to let it go outside Texas because consumers in the state pay more for it than those in other states. Texas buyers pay about \$2 per thousand cubic feet for natural gas, while out-of-state buyers are under Federal price controls that prohibit them from paying more than \$1.42 per thousand cubic feet. [1:6.]

The joblessness brought about by the natural gas emergency is putting a heavy new burden on state unemployment insurance funds already strained by earlier unemployment caused by two years of recession. Even before the new crisis, 21 states have had to call on the Federal Government for \$3.9 billion in loans to keep their funds from going bankrupt. New York State will join them next month. [31:1-2.]

Metropolitan

New Jersey residents showed scattered but stiff resistance to Governor Byrne's orders restricting business activity and home heating in the fuel crisis. Complaints came from workers, homeowners, clergymen and a number of community officials. They accused fuel companies and politicians of deceit and possible fraud. There were widely voiced suspicions that the crisis had been contrived by natural-gas suppliers to boost profits. [1:2-4.]

Many school boards reacted with confusion to Governor Carey's order Saturday to close 1,319 gas-heated schools for a week. Newspaper, radio and television switchboards were swamped with calls from teachers and parents. Thousands of pupils will get an unexpected vacation, or a transfer to other schools today. [32:1-2.]

Index

Cold Weather

- U.S. disaster aides sent to New York and Pennsylvania 32
Buffalo begins to dig out from season's worst storm 32

International

- War resisters meeting in Canada demand an amnesty 2
50,000 in New Delhi participate in anti-Government rally 2
Mondale, in Tokyo, affirms U.S. links with Japan 3
Reporter's notebook: Mondale finally gets eight hours of sleep 3
World Events 4
Portuguese leader facing labor challenge 5
Egyptian opposition figure denies role in riots 5
Britain hoping Elizabeth's jubilee will revive economy 6
Panama treaty negotiations getting under way 7
Notes on China: brighter newspapers promised 8
Warnke chosen to conduct arms talks 9

Government/Politics

- Congress may balk at Carter agency consolidation 12
Senate committee chairmen were offered reform veto 13
Mayoral "draft" set for Daley's successor 43

General

- Around the Nation 12
A reporter's notebook: Farewell to New Orleans 12
Social Security computer safeguards not as safe as officials promised 24

PARKING RULES

Alternate-side-of-the-street parking regulations are suspended in New York City today because of snow and icy roads. All other parking rules remain in effect.

- Metropolitan Briefs 25
Metropolitan area officials express concern over tax rebates 25
Frank Lynn on Liberal Party's predicament over mayoral race 25
5th Ave. landmark district proposed opposite art museum 25
City faces some of the most critical fiscal decisions since '75 26
18 injured in Massachusetts ski lift mishap 32
Ice in Jersey coastal waters destroying docks and piers 32
Hustler magazine says obscenity case far-reaching 37
Civil rights lobbyist may leave the N.A.A.C.P. 43
President Carter's pastor from Plains preaches in New Rochelle 43

Amusements/Arts

- "Selected Letters of William Faulkner" is reviewed 19
Shura Cherkassky displays honest pianism in a recital 28
Linda Diamond, a modern-dance choreographer, in six works 28
Cello recital by Yo-Yo Ma 28
Brandenburg Ensemble presents a concert of Baroque works 28
Ricci and Bitetti play violin and guitar recital 28
Zabaleta excels in harp recital 29
Jo Sullivan, Loesser's widow to sing his songs at the Ballroom 29
"Isadora Duncan Sleeps with the Russian Navy" on stage 29
NBC announces agreement for televising 1980 Olympics 44

Family/Style

- The Red Cross Ball in Palm Beach 30
Gazpacho in the Spanish manner 30

Obituaries

- Stanley M. Douglas, ex-assistant state prosecutor 24
Robert Paul Smith, co-author of "Tender Trap," dies 24

Business/Finance

- Leonard Silk views Carter's stimulus plan 33
December construction contracts rose 34% 35
Murphy of General Motors warns industry to improve product 36

Quotations of the Day

"What amazes me is why people in the East cannot understand the simple economics of it. Why should I sell my gas out of state for \$1.42 (per thousand cubic feet) when Texas buyers are waiting in line to pay \$2 for it? For \$1.42, I wouldn't even go out and drill the holes."—Antonio R. Sanchez Jr., a gas producer in Laredo, Tex. [1:6.]

"Those pipeline guys in the South have learned how to make money from the camel drivers."—Mel Perez, president of Local 595 of the United Automobile Workers, in Linden, N.J. [1:4.]

	Page		Page
Advertising News	35	Dividends	34
Commodities	34	Market Place	34

Sports

- U.C.L.A. routs Tennessee, 103-89, as Hamilton, guard, stars 14
Swiss pairs finish 1, 2 in world bobsled championships 14
Stockton upsets Connors in 5-set final at Philadelphia 15
Watson wins 2d straight tourney by 5 shots at San Diego 15
Rangers defeat Blues, 5-2, at Garden as Esposito stands out 15
Nets lose to Bucks, 100-92, and drop to bottom of standing 15
Islanders lose to Canadiens, 2-1, for third loss in a row 15
U.S. boxing coach wants foreign aid for the Americans 16
Baseball writers' dinner features satire, song and Fidrych 17
Abbatiello proves he has yet to lose his winning Yonkers touch 17

Features/Notes

- Going Out Guide 28

Editorials/Comment

- Editorials and Letters 20
Anthony Lewis on understanding political realities in Moscow 21
William Safire on human rights in the Soviet Union 21
Robert Maurer recounts his life in Argentina 21
Henry Diamond offers incentives to recycling paper 21