

U.S. government bails out ailing bank

By SALLY JACOBSEN
AP Economics Writer

WASHINGTON — The government forged yesterday a record \$4.5 billion bail-out of Continental Illinois National Bank & Trust Co., whose high-flying lending practices left it teetering with a huge portfolio of bad loans.

The deal, which has some of the appearances of nationalization, immediately drew some complaints in Congress that federal regulators had fashioned the arrangement behind the public's back.

But the regulators defended their action, contending it was the best way to bolster the ailing Chicago giant and maintain stability in the banking system.

At the White House, spokesman Marijn Fitzwater said, "We think it's in the best interests of depositors and the banking industry. Although we had some reservations about the form of the agreement, we think this is an important restructuring of the bank."

"The bottom line is we have created, through this transaction, one of the very strongest banks in the world," said William Isaac, chairman of the Federal Deposit Insurance Corp., which plays a key role in the plan.

In Chicago, David G. Taylor, chairman of the bank's parent, Continental Illinois Corp., said "This is not the go-it-alone path we aspired to, but at this point it is the best course open to us." As a condition of the plan, Taylor must step down.

The corporation's new chief, John E. Swearingin, retired chairman of the board of Standard Oil Co. of Indiana, said, "It's a long road ahead of us and all the twists and turns cannot be anticipated."

William S. Ogden, former vice chairman of New York's Chase Manhattan Bank who becomes head of the bank, urged customers: "Bear with us. There is no miraculous cure but a lot of hard work."

The scheme will leave the bank-holding company with about \$30 billion in assets, one-quarter less than the \$41 billion of March. Its nationwide standing will slip from No. 8 to somewhere in the range of 10 to 20, bank officials said.

The arrangement must still be voted upon by the bank's shareholders at a meeting, likely in September. If they reject the deal, the agency said it will withdraw its aid and the bank will be declared insolvent.

Under terms of the arrangement, the FDIC will buy \$4.5 billion worth of bad foreign and domestic loans from Continental, at a discounted rate of \$3.5 billion, and inject \$1 billion in capital.

With the capital infusion, the agency will get an 80 percent stake in the bank through a stock issue that gives it the right to convert into 160 million shares, or 80 percent of the parent company's common stock. The agency doesn't intend to exercise that right until it decides to end the arrangement.

The bank will write off \$1 billion of the bad loans, resulting in a second-quarter loss of about \$1.1 billion, according to Taylor.

Despite the appearance of a government takeover, Isaac insisted at a news conference that the bank wasn't being nationalized.

He said the independent agency was using money from its \$16 billion insurance fund, built up by assessments from the 14,800 banks that have deposit insurance up to \$100,000.

"Not one nickel of taxpayer money is in this transaction," he said. "As soon as we see this bank is back on its feet... the FDIC will sell its interest in this bank."

He also asserted, "The FDIC will not... be running this bank."

It did, though, pick the new management team of Swearingin and Ogden and intends to restructure the boards of directors.

Isaac said it will not have hiring or firing power or make business decisions.

"This is a private sector bank," he insisted.



Reagan woos South

By TERENCE HUNT
Associated Press Writer

HOBOKEN, N.J. — President Reagan, battling Walter Mondale from the South to the industrial Northeast, said yesterday the race for the White House offers a choice between a strong America and "a nation that begs on its knees for kindness from tyrants."

With tough rhetoric and appeals to patriotism and family values, Reagan wooed political support from southerners, women, Italians and blue-collar workers.

In Atlanta, Reagan accused Mondale of "writing off the South" and said the key issue in 1984 is one of leadership.

"It's about what we want for our children — a free nation or more bondage of the tax and tax, spend and spend variety; a strong nation that is deeply proud of the ideals it represents in the world or a nation that begs on its knees for kindness from tyrants; a free nation where our children can grow and become anything they want to be, or a tired place where a big government far away will take everything they work hard for," Reagan said.

Without mentioning Mondale and Ferraro by name, Reagan said, "they think prosperity is an illusion and they think peace through strength is destabilizing. Let me tell you what I think: Only if you read the record of their administration backwards does it have a happy ending."



President Reagan watches as U.S. Senator Paula Hawkins, R-Fla., points to the crowd at yesterday's rally in Atlanta. Reagan proclaimed "the election year has begun," and accused Walter Mondale of writing off the South.

Olympics begin tomorrow:

Californians brace themselves for invasion

By SCOTT KRAFT
Associated Press Writer

LOS ANGELES — With the Summer Games a day away, a malady psychiatrists call "Olympic anxiety" has begun to afflict some residents upset about hundreds of armed security forces, the influx of so many foreigners and the prospect of clogged freeways.

Psychiatrists said Wednesday that they are getting more calls than usual, most of them from ordinarily well-adjusted people unsettled by this thought: 16 hot summer days of intolerable traffic, packed restaurants and stores overrun by tourists.

Many more will treat mild symptoms of stress with antacids after the Olympics begin tomorrow, the psychiatrists added. More than 5,000 of the 7,800

athletes from 141 countries and thousands of journalists and visitors have flooded into Los Angeles this week. So far the weather has been mild and the freeway traffic has been lighter than normal. But next week freeway traffic is expected to increase by 10 percent.

"People have a sense that they're being invaded," said Dr. Duke Fisher, a psychiatrist at Del Amo Hospital in Torrance, Calif. "It's very clear that one of the things that is precipitating stress is anxiety related to the Olympics."

One problem is the security forces, numbering in the thousands and including 80 helicopters and two blimps operated by police officers.

"Looking out my window I normally see students, a wide open oasis into the community," said

'People have a sense that they're being invaded. It's very clear that one of the things that is precipitating stress is anxiety related to the Olympics.'

—Dr. Duke Fisher, psychiatrist in Torrance, Calif.

Scott Fraser, a professor of psychology at the University of Southern California, site of one of the Olympic villages. "Now I see strands of fences and barbed wire, people walking around with walkie talkies.

"Intellectually you can say this is part of the security forces that are here to make sure everyone's well-being is maintained. But emotionally, you're confronted with forces meant to control and inhibit people."

Adding to the surreal atmosphere

is the rainbow of pastel-colored banners dressing up the villages.

"With the psychedelic colors, you start thinking that as soon as the helicopters clear away, Dumbo will come flying in, like in a carnival," Fraser said. "You don't usually associate a carnival with a prison."

Any major event — and the Olympics will be the biggest show ever staged in this part of the world — can be a target for deviants and people seeking a moment of attention for themselves or their cause, psychiatrists said.

Nelsen to seek support for liberal arts

By BILL FERRELL
Collegian Staff Writer

The College of The Liberal Arts has the chance to secure the very best new scholars for faculty positions, the new dean of liberal arts said.

"It's a buyer's market in academe right now," Hart M. Nelsen said. "We have a chance to acquire assistant professors and also those of higher rank who are absolutely superb."

Previously, the ability to secure top faculty depended more on networking, or knowing the right people, Nelsen said.

"My interest will be first in providing as many resources to the faculty as possible," he said. Secondly, Nelsen said he will do everything possible to encourage quality of teaching, quality of research and development of quality faculty.

Nelsen said he was very impressed with the University's aggressive program development. "Penn State seems light years ahead in study abroad programs."

He said he is also very much in favor of the merit system for faculty salary increases.

While he served as chairman of sociology at two other universities, Nelsen said he based much of his salary recommendations on merit.

"I've found that the best teachers are also the best researchers," Nelsen said. If lectures are fresh, this probably indicates that the professor is keeping up on research.

Nelsen said he applauds University President Bryce Jordan's goal of making Penn State one of

the nation's top 10 universities.

"I think it's a reasonable goal and, in fact, if we didn't have it as a goal we would be doing a disservice to the state."

The University's College of Liberal Arts has experienced financial problems over the past few years, Nelsen said. During an inflationary period, the University could not build its budget at the rate it should have.

Some departments within the College of Liberal Arts have been left in precarious positions as a result, he said. In some departments, vacancies left by full professors have been filled by assistant professors.

In some instances positions were lost because of a need to cut the budget, he said.

"It's not a good situation," he said. "I can think of several departments that really should have significant financial enhancements."

Some departments are in need of new positions for maintenance of their national reputations, Nelsen said.

He said he would like to see enlargement of a cooperative program between the College of Business Administration and the Department of Sociology.

He said he would also like to see other intercollege programs developed if the funds were available.

"I want students to experience contemporary programs and those demand that we be fully staffed and have the resources for those faculty

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Pattishall says PSU should aim for top

By BILL FERRELL
Collegian Staff Writer

One major problem faced by the University is securing adequate resources to develop and retain the University's top reputation among other academic institutions, the new chairman of the Council of Academic Deans said.

"I think we already are in the top 10 in a number of our important majors spread throughout the University," Evan G. Pattishall Jr., dean of the College of Human Development, said.

"The problem is how do you continue to help them produce excellence and provide enough resources to the other equally important majors to develop and improve their excellence."

Pattishall was elected chairman of the council for the 1984-85 academic year by council members in April. He assumed the office of chairman on July 1.

The tasks of the chairman are to continue to develop better communication and exchange of ideas between deans and to work with the deans in identifying problems, issues and opportunities in building strong academic programs in each of the colleges, Pattishall said.

In the last few years, the council has been more proactive and responsive to academic and administrative problems in the

University, he said.

The council, he added, has changed from a council of information-sharing to a true deliberative body.

The council not only shares ideas and makes recommendations to the University president and executive vice president, it also responds to the problems and issues that the administration takes to the deans for consideration, he said.

Pattishall said he was pleased the University Board of Trustees approved a system of salary increases based entirely on merit.

"The merit notion is long overdue," he said. "It's very appropriate for University faculty, but I think we also have to recognize merit in more than publications and research grants."

Merit must be considered on more than just the usual heavy emphasis on numbered publications, Pattishall said.

"We also have to find some way to consider faculty who are making major contributions to student development, in mentoring other faculty and in the development and testing of new ideas."

The additional funds approved by the University Board of Trustees for the Colleges of Engineering and Business Administration will provide more

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Public Information Photo

Hart M. Nelsen

friday

inside

- A former Penn State University student accused of leading a band of students on an \$18,000 burglary spree has pleaded guilty and agreed to aid police in their continuing investigation, attorneys said. Page 2

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weather

Mostly cloudy and cool today through tomorrow with occasional rain and thunderstorms. The rain may be heavy at times. High both days near 73 degrees. Low tonight 58.....by Glenn Rolph