



Staggering

Investor confidence jolted despite assurances of a healthy economy

By Wayne Peel
staff writer

Few investment experts believe Monday's record stock market drop will have the long-term impact of the October 1929 crash that touched off the Great Depression.

But local experts agree the market could be headed for volatile, uncertain times — even with Tuesday's record recovery.

How long market uncertainty lasts could determine whether the record 508-point plunge was a momentary, if major, correction or the onset of a new recession.

On the positive side, stock brokers were encouraged by Tuesday's market flurries.

"Everybody went nuts (Monday), new reason and rationality is starting to take over," said Gerald LeVan of E.F. Hutton, Birmingham.

A local economist said he doubted whether Monday's drop, in itself, would trigger a recession.

"At the very worst, the recession that many economists have been predicting for 1989 could be arriving ahead of schedule," said Harold Hotelling, assistant professor of economics at Oakland University, Rochester Hills. "Personally, I don't believe that's the case. The other indicators are too strong."

BUT BLACK Monday, as it is coming to be called, is still leaving local brokers groping for an explanation.

"Corporate earnings are still high, inflation isn't a major factor, there's really no justification for this," said Paul Hinderlitter of Merrill Lynch, Bloomfield Hills.

The state treasury department agrees.

"There's no economic reason for what's happening. Employment remains high, interest rates are good and the dollar is in good shape," Treasury Department spokesman Robert Kolt said. "The reason is po-

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— Paul Hinderlitter
Merrill Lynch
Bloomfield Hills

litical. It pertains to statements by (U.S.) Treasury Secretary James Baker about not supporting the dollar."

On the negative side, brokers admit investor confidence suffered a tremendous jolt.

"There's been a loss in consumer confidence, no question," Hinderlitter said.

ECONOMISTS WARNED rough times could lie ahead if the federal government doesn't move quickly to bolster investor confidence. "If the drop indicates anything, it indicates Wall Street isn't happy with the deficits in both foreign trade and in the federal budget," Hotelling said.

A federal tax increase could be looming, he added. "A tax increase could do less harm than good. I think there will be pressure for one, anyhow."

Because a long period of heavy gains came before Monday's drop, some market-watchers said the stock market became a victim of its own success.

"When you go up that high, you're bound to fall farther," Hotelling said.

One explanation placed computerized trading and panicky or profit-taking foreign investors at the heart of Monday's record decline.

"There's been a lot of foreign investment," Hotelling said. "The market could be responding to fac-

tors outside the United States."

In program selling, hundreds of thousands of stock shares can be sold in an instant once stocks reach pre-programmed price levels. Such rapid-fire sales are given blame, in some quarters, of causing big chip industrial stocks to fall like so many dominoes.

BUT OTHERS said the new system could eventually spur stock prices higher.

"I know programmed sales are being blamed, but in the future there will be programmed buying," Hinderlitter said.

Tuesday's estimated 103-point gain was prompted by corporations buying back their own stock, potentially forcing the price even higher, Kolt said.

Major brokerage houses are generally advising investors against dumping their stock.

"This is a very bad time to sell stocks, especially if you are a long-term, rational investor," Peter Smith, managing director of E.F. Hutton Capital Management said.

Merrill Lynch also advises long-term investors to hold onto their stock.

Privately, though, many brokers concede small-scale or short-term investors many ditch their stocks, writing off the loss on their federal income tax, and plunge into an attractive market for bank certificates of deposit.

MONDAY'S ACTION differs from the 1929 crash in many ways, Hotelling said.

"In 1929, the panic began because people were afraid they were going to starve," he said. "Even with what happened Monday no one's afraid of that today. Savings are insured; even pensions are insured. Plus, there's the social welfare programs that weren't in place back then."

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Stopping bullets his stock in trade

By Philip A. Sherman
staff writer

Tom Taunt regularly takes crates full of spent ammunition — his sample cases — through airports around the world. Airport security never has stopped him for that, although he once was pulled aside because his hair dryer set off the metal detector.

Taunt, a Birmingham resident, is president and founder of BDS in Farmington Hills. BDS stands for Ballistic Deterrent Systems, America's largest dealer of modern-day defense mechanisms to, in Taunt's words, "stop the ballistic threat."

The business of stopping bullets is increasing so fast, here and abroad, that BDS must produce more than one job per day between now and Christmas, Taunt said. His company makes the glass-laminate barriers commonly seen in all-night convenience stores, gas stations and banks.

BDS also installs much more elaborate systems, capable of stopping armor-piercing rounds in mid-flight, for international customers in Guam, India, North Africa, the Middle East and more than 25 other countries familiar with terrorist tactics.

"THERE ARE more and more terrorists and there are more and more nuts out there," Taunt said on the eve of yet another international trip, his 13th in less than a year. "A country cannot afford the negative publicity of having a guest killed while on their soil."

But Taunt's forte appears to be producing a safe work environment for employees in this country. With more than 1,000 installations of windows, steel doors and armored interior blocks for customers such as Mobil Oil (its largest client), Amoco and Chevron, there hasn't been one successful breach of his security systems.

BDS is three years old and had sales of \$3.5 million last year, with anticipated sales of \$5 million this year, Taunt said. He has 32 employees. Taunt said originally they dealt with bank security but quickly were drawn into building and providing lead-stopping barriers for other uses.

"It's frightening how fast it's grown," Taunt said, noting he's also doing business with Korea for products "that undoubtedly will be used in the Olympics."



BILL DRESLER/Taunt photographer

Tom Taunt stares at a piece of Class III material. Embedded in it is a slug from a .44-Magnum.

BDS USES a glass-laminate product invented by General Electric called Lexgard to build perfectly clear barriers of varying strengths, designated by classes, to stop bullets. Class I, about 1 1/2 inches thick, will stop a .38- and .45-caliber slug fired from a distance of 15 feet.

Class III deflects bullets fired from Dirty Harry Callahan's favorite weapon, the .44-Magnum, and from a 12-gauge shotgun. But it's Class V — the military weapons' grade material — that's the hot seller on international markets.

Class V, Taunt said, stops rounds from the NATO AR-15. This weapon fires a thin lead bullet, jacketed with a steel alloy, that goes right through engine blocks. An AR-15 round travels at a velocity of 3,280 feet per second and has an impact of 2,600 pounds per square foot. Class V is made of Lexan, the base material from which Lexgard is made.

Taunt himself doesn't own a weapon. "Guns were created for one purpose: to kill people. I don't want a gun around because if you have one, you have to be prepared to use it, and I don't want to kill anybody."

During the filming of a video about his products, Taunt emptied the building of all employees, made camera people use remote equipment and insisted sharpshooters fire from gun ports before he would allow them to blast away at his barriers (they all held).

"I do not stand behind my products," Taunt said, laughing at the built-in irony of his statement. "Even though I have an extremely high level of confidence in them, I'm no fool. This is not stuff you fool with. This is not play time."

Seminar promotes BIDCOs

By Philip A. Sherman
staff writer

Next week's conference on BIDCOs, the newest financing vehicle for small-to-medium-sized business ventures, apparently will be one of the best attended finance seminars of the year.

BIDCOs, short for Business and Industrial Development Corporations, started in California and were improved in Michigan by the state's Strategic Fund. BIDCOs are designed to fill the gap between conventional commercial financing, often too restrictive for entrepreneurial small businesses, and venture capital investments, whose high return rates also can be prohibitive.

A publicist for the Nov. 2-3 conference in Detroit's Westin Hotel said attendees are coming from as far away as the Virgin Islands and Hawaii. Conference registration ended earlier this month.

The conference, the first of its kind here, is aimed at decision makers who are trying to spur economic growth through the proliferation of small businesses. Typically, these are the private sector endeavors that

are unable to secure other financing or debt vehicles because of risk factors.

MICHIGAN'S Strategic Fund, a state agency that pushes financial support for small and medium entrepreneurs by offering a type of "matching fund" financing with private sector investors, is guiding Michigan's BIDCO move.

Through an investment program the fund already has made equity commitments of \$5 million to three BIDCOs in existence. Peter Plastrick, fund president, predicts 20-25 BIDCOs will be operating in Michigan within five years.

Eugene W. Kuthy of West Bloomfield will open the conference with Plastrick. Kuthy is commissioner of financial institutions for Michigan and president of the conference of state bank supervisors.

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