

DECEMBER 20, 1982

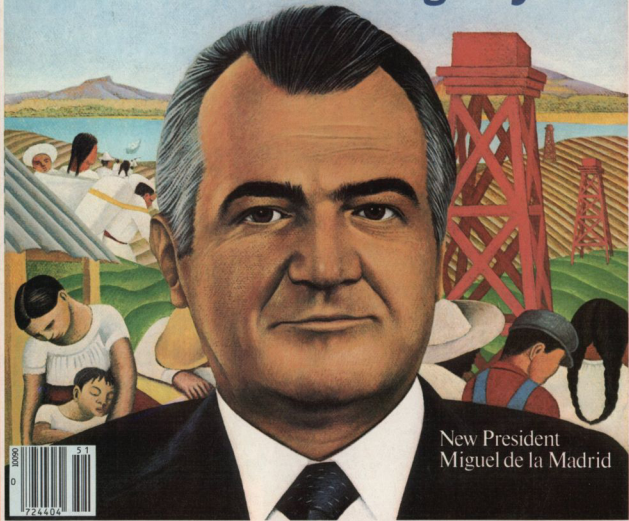
\$1.50

TIME

EXECUTION BY INJECTION
Humane or
Horrible?

MEXICO'S CRISIS

"We are in an emergency"



New President
Miguel de la Madrid



A Letter from the Publisher

In his most harried moments, Mexico City Bureau Chief James Willwerth suspects that the Mexican political system rivals the Kremlin for having secrets within secrets. But as the current economic and social crisis in Mexico deepened, Willwerth noticed a parallel easing of Mexican reserve toward journalists. "Much of Mexico was forced into the open by its traumas during the past year," says Willwerth, "and, for a change, lots of Mexicans were willing to talk about it in unmasked terms."

To identify as many pieces of the Mexican puzzle as possible for this week's cover story, Willwerth ranged from Tijuana and Monterrey to a hillside in the elegant Bosques districts of Mexico City, which affords a view of outgoing President José López Portillo's unfinished family estate. Reporter Laura López headed south to Chiapas and Taxco. She also visited some of Mexico's most remote areas during the presidential campaign of Miguel de la Madrid and watched his helicopter fleet land. "no different in the eyes of the isolated villagers from seeing an Aztec god descend from the heavens." After a one-hour interview with the new President,

Willwerth and López are optimistic that the recent mood of frankness will continue. De la Madrid's administration seems more open to the foreign press than that of his predecessor. But Willwerth remains cautious. Says he: "The real test of the administration's interest in good press relations will come in about a year, when the economic crisis should be at its worst."



López and Willwerth, right, with De la Madrid

To Associate Editor George Russell, who wrote the story, the subtleties of Mexico's complex national character had a familiar flavor. As TIME's Buenos Aires bureau chief from 1979 to 1981, Russell got a first-hand education in Latin American culture. He was also the writer of some half a dozen cover stories on the Falklands war between Argentina and Britain. Russell, born in Canada, was particularly conscious of Mexico's status as a next-door neighbor of the U.S. "Growing up in the tremendous wash of influence that we felt from the U.S. was difficult enough in a country that shares many of the same roots," he says. "I can well imagine the frustrations of feeling that overwhelming U.S. influence if your culture is a completely different one."

John A. Meyers

Index

Cover: Illustration by Richard Mantel



30 Cover: Mexico's new President Miguel de la Madrid acts like a man in a hurry to solve the problems of a U.S. neighbor battered by economic troubles and widespread corruption. But will his policies work? See **WORLD**.



12 Nation: Stung by a House no to MX production, Reagan belatedly seeks compromise. ▶ Weinberger serves his chief too well. ▶ Helms and White House team up. ▶ Congress plays Santa with jobs bills that seem unlikely to help.



82 Death Penalty: A Texas prisoner is the first to be executed by lethal injection, a controversial method legal in five states. The execution, which may portend more in 1983, reignites a capital-punishment debate. See **NATION**.

47 World

New instructions for Habib ▶ A show trial in Egypt. ▶ Mugabe cracks down on Ian Smith. ▶ In Ulster, deaths at a disco.

79 Books

A short shelf of children's literature offers 15 volumes of pictures, prose and poetry for young senses of humor and wonder.

58 Economy & Business

Sale signs are everywhere as the Christmas selling season bumps along. ▶ European recovery foreseen. ▶ OPEC squeeze.

82 Cinema

Clint Eastwood shines as a *Honkytonk Man*. ▶ Eddie Murphy has cop trouble in *48 Hrs.* ▶ *That Championship Season* doesn't score.

68 Space

NASA blames sloppy inspections and inadequate quality control for failures in its multimillion dollar space suits.

85 Behavior

The "ego-centered mentality," a sociologist charges, is responsible for a dangerous corrosion of American life.

71 Medicine

Barney Clark suffers a setback, but his artificial heart keeps ticking without any pause. ▶ A new therapy for blood disease.

86 Dance

Peter Martins is an author, a busy choreographer and now is directing the New York City Ballet as well.

74 Law

A Grinch-like new holiday tradition: solidly based legal challenges to Christmas crèches paid for by city hall.

88 Essay

In two recent experimental medical operations, one heart was stopped and one revived. Why ever stop a heart?

76 Show Business

The best comedy of the year is *Tootsie*, a romp in which Dustin Hoffman, as a jobless actor, dons skirts and conquers television.

8 Letters 67 People 74 Milestones 87 Theater

WHY ATARI[®] IS #1.

The most games, the best games are only from Atari. Atari makes more video game cartridges than anyone else.

Adventure games, arcade games, educational games, our new RealSports™ games.

And they only work in the ATARI 2600 Video Computer System.™

No other system gives you nearly as much choice.

Or nearly as much fun.



Atari brings the arcade classics home.

Only Atari has home versions of Space Invaders,† Pac-Man,** Missile Command,™ Asteroids,™ Breakout,™ Defender† and Berzerk††

The greatest arcade hits of all time.

If you have an ATARI system, you can play them at home.

If you have some other system, you can't.

You don't need two people to play ball with an ATARI 2600.

All the best ATARI games can be enjoyed by a single player.

Including our new RealSports games. To play an other system's sports games, you need another person.

Simple, straightforward controllers.

With some systems' controllers, learning a new game is about as much fun as learning to play.

That's why Atari gives you easy-to-use joysticks and paddles.

Because it's the games you're out to master, not the controllers.

All for about \$100 less. For the price of other game-playing systems, you can buy an ATARI 2600 and still have about \$100 left over.

Enough to start your ATARI video game library with hits like Pac-Man, Asteroids, and Defender.

Which, by the way, you can't play on other systems at any price.

ATARI

Ⓜ A Warner Communications Company

© 1982 Atari, Inc. All rights reserved.

†Trademark of Bally-America Corp. **Trademark of Bally Midway Manufacturing Co., licensed by Namco-America Inc. ††Trademark of Williams Electronics Inc. ††Trademark of Stern Electronics Inc.



Crowds of bargain-hunting holiday shoppers last week at Macy's flagship store on Herald Square in New York City

AL PERIN

Economy & Business

Christmas '82: On Sale Now

But customers are cautious as they play a waiting game with U.S. retailers

SALE. The word was everywhere last week in recession-weary, unemployment-plagued, pre-Christmas America. It stood alone or with exclamation marks in all its variations: reduced, discounted, cut, specially priced and slashed.

The word flanked department- and specialty-store aisles from Maine to California. It paraded through chic boutiques in Manhattan and Beverly Hills' Rodeo Drive. It marched through newspaper advertising and charged into glossy supplements. On television, it assaulted millions of viewers.

It was on almost everything, from television sets to dinnerware to cameras and video games, Belgian waffle makers, foot massagers, pots, pans, cutlery and apparel of all kinds. So far at least, the drumfire of discounting is having the desired impact of making at least some stores busy. But much of what is happening so far this season is flash without great substance, chiefly because of the sales. Says Michael Evans, a private economist in Washington: "Consumers are buying more, but they're spending less."

Price cutting started earlier, has gone deeper and affected more items than in any Christmas shopping season in memory. Christmas sales began two to three weeks before they usually do, well before Thanksgiving.

By some accounts, the sales effectively began as far back as October, when shoppers were coming out of a depressing summer with overstocked shelves after 15 months of recession, rising unemployment and sick sales of everything from cars to refrigerators. Now retailers are hopeful that the price slashing will seduce shoppers, resulting in at least respectable

overall sales for 1982. Many shopkeepers count on Christmas for a third to a half of any year's profits.

Many of them stand to be disappointed. In general, sales are better on both coasts than they are in the Midwestern middle, the "rust bowl," hardest hit by joblessness and industrial anemia. Almost nowhere, though, are sales truly brisk. Unusually warm weather in the East, which has produced temperatures in the springlike 70s, has hurt them in two ways. It has cut into sales of winter clothing. It also made Christmas seem not so near, reducing what Economist Alan Greenspan calls the "sense of urgency" needed to press people into stores.

Shoppers now coolly wait for prices to come down before buying. If they do not see what they want at the right price, they bide their time until prices drop. Says Ann Colwell, 28, a Dallas publicist: "It's a consumer-oriented Christmas," as if somehow it rarely had been until this year. She is waiting for Evan-Picone suits at Sanger Harris to go on sale. When they do, she will buy. Said Martin Tolep, economist for F.W. Woolworth: "By waiting, they're going to make some retailers frantic."

Other forces are at work to discourage buying, especially of big-ticket items such as refrigerators and washing machines. Two or three years ago, when inflation was steaming along at double-digit levels, a philosophy of buy-now-before-the-price-goes-up gripped the consumer. Sales of consumer durables held their own. Now, with inflation limping along at an annual rate of about 5%, there is no rush to buy expensive items. In fact, it often pays to wait. Says Irwin Kellner, chief economist at Manufactur-

ers Hanover Trust Co.: "Buyers see that the longer they wait, the better the deals will be."

Even if Christmas sales do perk up during the next two weeks, most economists expect fourth-quarter retail sales—including automobiles, appliances and general merchandise—to be only slightly ahead of last year's fourth quarter, after adjustment for inflation. November's sales, reported last week, rose by an inflation-adjusted 2% above last year, thanks largely to the recent pickup in auto sales sparked by carmakers' cut-rate financing. The sluggishness in spending puzzles some economists, who see a number of reasons why people should be buying:

▶ The percentage of consumer after-tax earnings that goes for paying off installment debt has declined from 19% in 1979-80, to 15% now, about where it was in the recession year of 1975. Says Edward Brennan, Sears merchandise-group chairman: "People who are working are in an excellent position to extend themselves on charge accounts."

▶ Total consumer buying power, what's left of income after accounting for taxes and inflation, is actually rising at an annual rate of 2% to 3% these days, vs. a decline of 1% in 1980. That is nowhere near 1973's 8% gain, the highest in the past decade, but it is a solid improvement.

▶ Between August and November, the 32 million Americans who own stocks and bonds ran up a mighty \$300 billion in profits as stock-market indicators broke all records. While some of the wealth existed only on paper, even that can make investors feel rich and ready to spend.



At Marshall Field's store at Water Tower Place, a Chicago shopping center, buyers check out sharply reduced prices on women's pants

LEE HALTERMAN

All these factors may be offset by equally powerful negative forces. The greatest of these is, of course, unemployment, which in November was running at a post-Depression high of 10.8% of the U.S. work force. Members of 20% of American families have experienced some joblessness this year, says Woolworth's Tolop.

That does not encourage big spending. It even discourages buying by employed people who are nervous over the safety of their jobs, or who have just been rehired after a period of layoff. Said a shopper in a Kmart in Detroit: "I'm making \$4 an hour less in a new job, and I won't be spending as much."

What is more, the U.S. savings rate has increased sharply: in the third quarter it stood at 7% of income, vs. 6.4% a year earlier and only 5.8% in 1980. In more ro-

bust times, that would be welcome news indeed. It would mean that more money could go into the building of plants to create jobs, the answer to the Reagan Administration's dream.

Coming now, when times are not good, the increased savings translate into more than \$20 billion that is not being spent on consumer goods. Some of the savings doubtless flow from the \$28 billion federal income tax cut in July. Says Economist Evan Barrington of Data Resources Inc.: "We keep looking for the tax cut to come through in spending, and it just hasn't."

In addition, stagnant house values and sales mean that consumers are not generating cash, as they once did, from capital gains on their homes. Economist Greenspan estimates that in the third quarter the spread between homeowners'

purchase prices and sale prices, at an annual rate, was \$36 billion, well below the \$113 billion for 1979. The appreciation dip has left consumers less willing or less able to take out second mortgages for shopping sprees.

Nonetheless, Walter Loeb, who follows retailing stocks for Morgan Stanley & Co., estimates that the earnings of major department stores should rise a handsome 8% this year after inflation. Like other analysts, he is bullish on retailing stocks because he knows that if and when the economy turns around the big retailers will feel it first. Since August, when stock prices began their upward surge, retailing stocks have participated smartly and even outperformed the market.

—By John S. DeMott.
Reported by Patricia Delaney/Chicago and Stephen Koopp/New York

When Mickey Wore Gloves

As unforgiving as this year's outlook is, the prospect of a prosperous selling season was even dimmer 49 years ago, when Sears, Roebuck & Co. published its first Christmas catalogue. In that Depression year, unemployment was almost 25%, and the Sears "wish" book carried the blue eagle of the National Recovery Administration on its cover. The dollar as we know it today was worth \$7.58.

The catalogue, 88 pages mostly in grim black and white, in contrast to this Christmas' 648 pages nearly all in color, was reprinted by Sears as a promotion. Then, as now, concern about prices seemed paramount. The catalogue promised nifty bargains to customers who made a \$7.50 purchase—for example, a 26-piece silver-plate tableware set for \$4.99. A number of other items look no less alluring. You needed garters to hold them up, but silk stockings were 78¢. In pre-diet conscious America, there were 2-lb. fruitcakes selling for 49¢, and 4 lbs. of mixed nuts cost 79¢. A man's cotton-broadcloth shirt sold for \$1.69, and a wool sweater for \$1.95. For women, black leather oxfords cost \$1.98, and a one-quarter carat diamond set in 18-karat white gold was priced at \$54.50.

But were goods really cheaper? In 1933 the average annual household income was \$32 a week; in 1981 it was \$497 a

week. So while the latest-model Kenmore upright vacuum cleaner costs \$99.95 now, compared with \$17.45 then, it can be paid for with a day's work, pretax, whereas the 1933 Kenmore cost nearly three days' salary. The 1982 vacuum cleans better too. Some items even have lower price tags today. Sears does not sell a twelve-tube Superheterodyne console radio any longer, but at \$52.95 it could hardly be a match for this year's \$39.95 portable AM-FM that also carries the audio portion of TV channels. Still, the misty veil of nostalgia only enhances the appeal of a Lionel electric train set (\$12.79), all-steel coaster wagon (\$1.98), 26-piece dollhouse (\$1.98) or 15-in. mohair Teddy bear (\$1.79).

Celebrity endorsements were just as popular then. Big Bill Tilden's name appeared on a junior tennis racket (\$3.19), and Pitcher Dazzy Vance's signature was stamped on the horsehide cover of baseballs (59¢). More enduring is the Mickey Mouse watch (\$2.29), though now Mickey tells time with electronic digits (\$16.99) instead of electronic hands and must compete with *Star Wars* models. Another big name in the 1933 catalogue was that of Bird Expert H. Fogg, who had just taken charge of Sears' bird and pet departments and endorsed a line of canaries (up to \$6.95); these are no longer for sale. Possibly the nearest equivalent in the current edition is the assortment of women's clothing promoted by Model Cheryl Tieg.



Sweater and tricycle in 1933 Sears catalogue



At a suburban New York toy store, a buyer peruses an assortment of cartridges made by Atari

Pac-Man Finally Meets His Match

Feverish competition takes its toll on video-game stocks

Over the past several years, almost no business has grown faster than video games, but last week stocks of most of the industry's highflying participants came crashing down with a thud. Warner Communications, owner of Atari, the king of video games, unexpectedly forecast a slump in fourth-quarter earnings. The news reverberated through Wall Street. Analysts began recalculating profit estimates of the best-known games manufacturers, trying to divine whether the Atari setback had more cosmic implications. By week's end no one was quite ready to declare that the stock market was flashing a bleak "Game Over" for the popular amusements. But it seemed clear that video-game makers would no longer be able to rack up record profits with the ease of a twelve-year-old joystick junkie who stars at Pac-Man.

When investors finished adding up the losses after the stock market closed on Friday, the extent of the devastation was electrifying. The most money was lost on Warner. The company's stock sank during the week like a runaway elevator—from \$54 to \$35, a loss in market valuation of an astounding \$1.3 billion. Shares of the other market leader, Mattel Inc., which makes Intellivision, lost \$192 million, fully 40% of their earlier value.

Until last week, the only question most people asked about home video games was how fast they would spread. It seemed as if every child in America, and many adults, was interested in buying plastic game cartridges and playing them

on consoles (which typically cost \$200 or more) hooked up to a television set.

No one sold the cartridges and the consoles better than Warner's ten-year-old Atari. By acquiring the rights to popular arcade games like Space Invaders and Pac-Man, and designing them to fit players of its own manufacture, Atari saw its sales leap from \$30 million in 1976 to \$1.1 billion last year. As late as last summer it still held about 80% of the world market, and in doing so had got a lock on an enormously profitable business in which cartridges that cost only about \$6 to manufacture can usually be sold for a retail price of \$25 to \$50.

Atari's success quickly lured other competitors. A year ago, Mattel was still the major one, but at least 20 companies have products on store shelves this Christmas. In order to hold on to its market share, Atari spent heavily to promote its new E.T. and Raiders of the Lost Ark games. But sales failed to reach expected levels.

Suddenly last week, Consumer Products Division President Perry Odak, 37, who had been with Atari for only eight months, was ousted. Although his removal was attributed to personality differences, the announcement came the same day as the revised fourth-quarter forecast. Warner now predicts that it will earn only about \$4.05 or \$4.10 a share this year. While that is an increase of 10% to 15% over 1981, it is well below analysts' earlier estimates of as much as \$6.63.

The bad news about Atari arrived

with other grim tidings for the industry. Mattel said that it expected to lose money during the fourth quarter, even though it was shipping more of its heavily advertised Intellivision games than it did a year ago. The company blamed a softening retail market and higher marketing costs that resulted from increased competition. After Mattel's shares began dropping, trading was suspended for more than 1½ days.

Even the up-and-comers among video games were not spared. The stock of Coleco Industries Inc., which has a hit cartridge called Donkey Kong and a new console, ColecoVision, fell almost nine points in two days. Declared President Arnold Greenberg: "This is an inevitable initial reaction when the largest company in the industry says it has had disappointments. Some of the newer companies like us have really taken a large share away from Atari and Mattel." Coleco, based in Hartford, Conn., expects its sales to jump 180% this year, to \$500 million.

Another fast-growing youngster that has stolen business from the leaders is Imagic, which was incorporated just 18 months ago. Its popular cartridge, Demon Attack, was chosen the "game of the year" by an industry magazine, and the company's revenues are expected to reach \$50 million this year. The firm had planned to cash in on its popularity and go public this month, but when the other shares got zapped, Imagic's stock offering was postponed.

Such small companies need fresh capital if they are going to keep up in a business where supply has finally caught up with demand. For instance, Imagic has budgeted \$10 million—about 20% of its estimated 1982 sales—for six months of television commercials. That is still only a fraction of the \$100 million that Atari spent on advertising in 1982. Money alone, however, is not enough; in the latest ranking of the bestselling video games, Atari's top entry, Berzerk, ranks only fourth.

Despite the financial community's reaction to individual stocks, sales for the industry are still robust. Video games have been among the bestselling items this season in the face of generally flabby retail sales. Says Leisure Industries Analyst David Londoner of Wall Street's Wertheim & Co.: "We don't think the market for cartridges will peak until 1984 or 1985." But Londoner adds, "I don't think the stock market will continue to be enraptured by video games." While millions of Americans will still be looking for a Donkey Kong or Frogger game under their trees this Christmas, investors have already started the search for their hot stocks.

—By Alexander L. Taylor III
 Reported by Dick Thompson/San Francisco and
 Susanne Washburn/New York

