

Economists predictions go from recession to expansion

WASHINGTON - The weather isn't the only thing behaving strangely this winter. The economy has been topsyturvy as well.

In just two months, December and January, many economists went from predicting an impending economic downturn to believing that the longest peacetime expansion in history has found another of its nine lives.

The new general consensus of moderate economic growth this year is likely to be an important element in Federal Reserve Chairman Alan Greenspan's testimony before Congress today when he reveals the Fed's policy targets for 1990. These targets will have a major influence on interest rates and economic growth.

Greenspan could be excused for expressing a certain amount of perplexity about recent events.

In December, the economic outlook was as bleak as the unusually cold weather. Housing construction plunged; Christmas sales were lackluster, and the overall economy, as measured by the gross national product, turned in its worst showing in 3 1/2 years.

All that gloom prompted recession worries as economists feared the impending demise of the seven-year-old economic recovery, an expansion that has already lasted almost five times longer than usual.

But in January, the weather warmed and so did the economy. Housing construction soared 29.6 percent, the biggest monthly increase on record. Retail sales rebounded, largely on the strength of a pickup in auto demand, and the economy produced 275,000 new jobs, almost triple the December

increase.

The good news chased away the recession forecasts. Some analysts now look for 3 percent annual growth in the January-March quarter, six times the pace from October through December.

"The economy is doing a lot better than a lot of people thought it would," said Michael Evans, head of a Washington forecasting firm. "Everything we have seen so far this year has been strong."

Part of the rebound is almost certainly weather-related. The warmest January on record spurred business activity, which had been depressed in December.

But Evans and many of his colleagues believe that, even taking account of January's weather, the economy is staging a modest revival from the depressed fourth quarter.

Greenspan, in an unusually candid comment, said that the chance of a recession had diminished markedly since last spring and that the fourth quarter's sluggish growth was likely to prove only a "temporary hesitation."

Economists believe Greenspan will restate those views Tuesday and are not looking for any immediate credit easing on the part of the central bank, especially in light of current inflationary pressures.

In January, wholesale prices surged upward at an annual rate of more than 24 percent, the fastest clip since the oil shock of the early 1970s. Analysts are expecting a similarly worrisome increase in January's consumer prices, which will be released Wednesday.

While the inflation spike can be explained by temporary factors such as the December freeze, which drove

food prices higher, economists said the Fed would still find the pace too troublesome to ignore.

The Fed does not want to be perceived as easing at a time when inflation is accelerating, even if those inflationary pressures were considered to be temporary," said David Jones, chief economist at Aubrey G. Lanston & Co., a government securities dealer.

That could set up a potential clash with the Bush administration, which has been complaining over the last year that the Greenspan-led Fed has not been aggressive enough in pushing interest rates down to spur economic growth.

In addition to releasing the Fed's 1990 targets for growth of the money supply, which influences interest rates, Greenspan will also reveal the Fed's economic forecast for the year.

Cheney tells Filipino officials America might abandon bases

MANILA, Philippines - Defense Secretary Dick Cheney, shunned by Philippine President Corazon Aquino, told Filipino officials Monday that the United States will abandon its bases here if it finds that keeping them is too expensive or that Americans are unwelcome.

As violence was reported in several clashes between leftist protesters and police near U.S. installations, Cheney met for nearly three hours with Defense Minister Fidel Ramos in discussions that were described as "very cordial, very forthright."

Meeting reporters afterward with Ramos, Cheney said the United States "will stay only as long as the Philippine people wish it to stay -- and only if the terms negotiated are acceptable to both parties."

There is growing opposition in the Philippines to the bases, which are among the largest outside the continental United States. In 1988 the United States agreed to pay the Philippines about \$960 million to maintain the facilities until their lease expired in 1991, but this year Congress significantly cut financial aid to the bases.

About 200 members of the leftist League of Filipino Students, chanting "Yankees go home!"

marched to the U.S. Embassy and hurled bottles and rotten tomatoes at police, who charged them with clubs and tear gas.

One student was arrested and at least four policemen were injured in the protest, which occurred near Cheney's hotel. Earlier, 50 students burned an effigy of Cheney and picketed the military headquarters with banners reading "Cheney warmonger, go home" and "White monkey, go home with your bases."

In Angeles City, home of Clark Air Base about 50 miles north of Manila, about 300 protesters hurled rocks at club-wielding police who tried to stop them from dismantling barbed wire barricades at the entrance.

Demonstrators said about 30 students were injured.

Relations between the two allies have reached new lows in recent weeks.

President Corazon Aquino refused to see Cheney, citing the aid cuts and anger over what officials consider adverse reports about her government in the American press.

This year, the Bush administration asked Congress for \$360 million in funding, but the figure was cut by \$96 million, and U.S. diplomats say it is unlikely the money will be restored.

"We recognize there is a shortfall of \$96 million over what we had anticipated," Cheney said. "I also pointed out that in East Asia, in this part of the world, the United States provided a little over \$600 million, and about \$500 million of that comes specifically to the Philippines."

Cheney pledged his "best efforts" to restore funding cut by Congress. He also denied reports in the Philippine press the cutbacks signal diminished support for the Aquino government.

Ramos acknowledged the U.S. administration needs congressional approval for aid commitments, but said he told Cheney "time is of the essence" in meeting obligations.

Asked whether Filipinos wanted the bases to remain, Ramos declined to answer, saying the issue was under discussion in the Philippine Congress.

U.S. and Filipino officials are expected to begin talks soon on extending the bases. Any agreement must be approved by two-thirds of the 23-member Philippine Senate, where anti-bases sentiment is strong.

No date for the talks has been set, and leading Filipino congressmen have urged Mrs. Aquino to postpone them until the cuts are restored.

Officials say natural carcinogens more dangerous than chemicals

NEW ORLEANS - Natural carcinogens in meat, grain and other foods are a far greater danger than pesticides and additives, accounting for more than 98 percent of the cancer risk in the diet, a government scientist said Monday.

Even a minor reduction in these naturally occurring hazards, he said, would surpass the benefits of eliminating all traces of dangerous man-made chemicals.

The culprits include not only such recognized health hazards as fats and beer but such seemingly innocent products as bread, yogurt, mushrooms and many spices, including cinnamon and nutmeg.

"The risk is from natural carcinogens in the diet, because they overwhelm all the others," said Dr. Robert Scheuplein, director of the Office of Toxicological Sciences at the U.S. Food and Drug Administration.

He contended that the public is worried about the wrong risks in its diet, in part because of exaggerated news accounts of such scares as Alar in apples, cyanide in grapes and dioxin in milk.

Scheuplein based his conclusions on a statistical analysis of the quantity of cancer-causing agents in the diet.

He said that the risk of dying from cancer from dietary exposure to both natural and manmade carcinogens, or cancer-inducing substances, was 7.7 percent. The risk from naturally occurring carcinogens alone was 7.6 percent.

"Most of the risks are people's personal choices," Scheuplein said. "They are not imposed on people by corporations. Apparently that's a hard lesson. People want to blame somebody."

Scheuplein presented his findings at a meeting of the American Association for the Advancement of Science.

Dr. Frank Young, a former FDA commissioner who is now deputy assistant secretary of Health and Human Services, said he agreed with Scheuplein's contention.

"The headline should not be, 'All Foods Cause Cancer' or 'Drop Dead.

Don't Eat.'" Young said. "The good news is, let us not as a nation focus just on the technological food additives. We ought to focus on the big issues as well."

Scheuplein said the clearest cancer-causing agent in ordinary food is fat, which has been linked with several kinds of tumors. However, he said most foods now eaten would not pass safety tests required for new food chemicals and additives.

He estimated that carcinogens make up one-tenth of 1 percent of the food people eat. Among concerns he cited were:

- Well-cooked, high-protein foods, such as meat and eggs, contain bacterial substances that can cause genetic mutations. An ordinary day's protein can be as damaging to the genes as five cigarettes.

- Hazardous urethane is a natural product of fermentation. It is present in beer, yogurt, bread and other foods.

- Mycotoxins produced by molds are common in many foods, especially when stored in warm, humid conditions. Aflatoxins occur in corn and peanuts, zearalenone in soybeans and luteoskyrin in yellow rice.

- Smoked or salted fish and pickled vegetables may cause digestive cancers. This is attributed to nitrates and funguses.

- Grilling and charring fish or meat can produce potentially hazardous substances, such as nitrotyrenes.

- Many spices contain questionable substances. There is estragole in tarragon, eugenol in cloves, cinnamaldehyde in cinnamon, myristicin in nutmeg and anethole in fennel. Several spices, including oregano, marjoram and bay leaves, may cause genetic damage.

- Other naturally occurring carcinogens include d-limonene in oranges, psoralens in celery, hydrazines in mushrooms and nitrates in spinach.

"Even a modestly effective attempt to lessen the dietary risk of natural carcinogens would probably be enormously more useful to human health than regulatory efforts devoted to eliminating traces of pesticide residues or other specific trace-level chemicals," Scheuplein said.

Kohl makes peace between ministers

BONN, West Germany - Chancellor Helmut Kohl made peace between his defense and foreign ministers Monday on the NATO role in a united Germany, while Germans exiled from areas now in Poland demanded their homelands back.

Foreign Minister Hans-Dietrich Genscher and the defense minister, Gerhard Stoltenberg, issued a statement at Kohl's request saying neither soldiers from the alliance nor West German troops should be stationed in what now is East Germany.

Stoltenberg suggested on Friday that NATO defenses be applied to a "whole Germany." Genscher said the defense minister was "causing unnecessary irritation where a subtle touch was needed."

In East Berlin on Monday, most participants in weekly talks between the government and opposition spoke against NATO membership for a united Germany and said it should be demilitarized.

As a precondition for reunification, they said, East and West Germany should issue a joint statement guaranteeing Poland's borders and giving security assurances to other European countries.

About 50,000 East Germans who

favor a rapid union participated in the weekly rally Monday at Leipzig, a center of the pro-democracy movement.

Hans Modrow, East Germany's Communist premier, told opposition leaders he would not go "on his knees" for interim aid from West Germany.

At meetings with Kohl and other West German officials last week in East Berlin, Modrow asked for 15 billion marks (\$9 billion) in "solidarity aid" to tide his government over until the nation's free elections on March 18.

Bonn refused on grounds that East Germany would not disclose its financial condition or accept an offer to make the West German mark the currency of both countries. West Germany did provide the equivalent of about \$3.5 billion in aid for projects over which East Germany will have little control.

Negotiations on economic and currency union begin today in East Berlin, although Modrow's government has made clear such a step cannot be approved before the elections.

Dieter Vogel, government spokesman in Bonn, told reporters Kohl summoned Stoltenberg and Genscher

to the chancellery Monday. Their statement repeated assurances Kohl made during talks in Moscow with Soviet President Mikhail Gorbachev, who favors a neutral united Germany.

Genscher and Stoltenberg, who represent different parties in the governing coalition, said no NATO units or facilities would be extended into what is now East Germany.

They said that included West German troops under NATO command and those not directly assigned to the alliance, such as territorial defense units.

Last month, Genscher suggested what now is West German territory remain part of NATO and the area east of the Elbe River, now East Germany, be militarily neutral.

Stoltenberg's signature on the joint statement with Genscher effectively reversed the position the defense minister took Friday, that NATO troops defend all of united Germany.

"The security policy of the area now comprising East Germany in all its aspects is to be determined with the freely elected government of East Germany as well as with the four powers responsible for Germany" since World War II, it said.

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