

## National economy faltering, Greenspan says

WASHINGTON - Federal Reserve Chairman Alan Greenspan told Congress on Wednesday that the Persian Gulf crisis has piled "new and substantial risks" on an already faltering national economy.

In a generally gloomy assessment of U.S. economic prospects, Greenspan said the jump in oil prices since Iraq's Aug. 2 invasion of Kuwait had increased the threat of both higher inflation and a recession.

But the chairman of the central bank rejected suggestions that U.S. economic policy makers were in effect being held hostage by Iraqi President Saddam Hussein.

While he conceded that the Fed's job of promoting non-inflationary growth has been made more difficult by the unfolding events in the Persian Gulf, he insisted the central bank still had tools to mitigate the economic fallout.

But private economists said Greenspan's pessimistic comments reflected the tough choices facing him. Normally rising unemployment and other signs of sluggish growth would prompt the central bank to slash interest rates in order to spur demand.

But the oil price shock means that the country is now in the grips of its worst bout of inflation in nine years with consumer prices climbing at an annual rate of 6.2 percent.

Financial markets had been eagerly awaiting Greenspan's first report on economic con-

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Greenspan  
Federal Reserve Chairman

ditions since the Persian Gulf turmoil began. But for the most part they reacted with disappointment as the Fed chief seemed to dash hopes of a quick move to lower interest rates. The Dow Jones industrial average was down almost 10 points in late afternoon trading. Greenspan's comments represented a set-

back for the Bush administration as well. The administration has been lobbying for months for the Fed to lower interest rates in order to avert the first economic downturn since the 1981-82 recession.

Greenspan said at present the economy was still growing, although at a very slow pace. But he ticked off a number of negative impacts stemming from the more than \$10 per barrel rise in oil prices since Aug. 2 and said prospects of a future downturn could not be ruled out.

"Regrettably, events in the Middle East have introduced new and substantial risks to the outlook," Greenspan told the congressional Joint Economic Committee.

While refusing to say whether the chance of a recession was now above 50 percent, he did say, "The oil shock has clearly increased both the probability of inflation and recession."

Greenspan did not signal that the Fed either had eased credit already or was planning any immediate easing moves.

Instead, he merely repeated comments made in the past that financial markets would re-

spond favorably to a credible deficit reduction package by pushing long-term rates, such as mortgage rates, lower and the Fed would do its part by helping to lower short-term rates.

The Fed chairman said that if crude oil prices average around \$30 per barrel over the next year, about \$10 above the price before Aug. 2, the higher oil prices would likely lower economic growth by a full percentage point over a year's time while boosting the inflation rate by up to 2 percentage points.

A Fed report released Wednesday on conditions in various parts of the country emphasized the weak economy. The report, known as the "beige book," said economic activity in the Fed's 12 regions was either expanding more slowly at present or actually declining.

"Weakness is most apparent in the Northeast and Mid-Atlantic districts," the report said.

Asked about the regional disparities during his testimony, Greenspan said that clearly the East Coast was in worse shape at present than the West Coast.

## Ordinary Iraqis resist economic sanctions

BAGHDAD, Iraq - Although Iraq is beginning to feel the impact of economic sanctions, ordinary people in the capital seem determined to resist outside pressure.

Bread, powdered milk, sugar, rice, macaroni, chicken and rice are in short supply. Other food is available, but prices have skyrocketed since the United Nations imposed the trade sanctions Aug. 6.

The sanctions were ordered to force President Saddam Hussein to withdraw the troops he sent into Kuwait on Aug. 2.

"The West believes we will kneel to their will when they impose sanctions against us. But we have stored for all our needs," said Salwa Bayati, a mother of two who chatted with neighbors over morning coffee last week.

The coffee was served without sugar.

Iraqi homemakers commonly keep household food storerooms full and refrigerators stocked, a habit developed during the eight-year war with Iran.

Bayati said she has enough food on hand to feed her family for seven months. Sugar, however, was in short supply even before the trade embargo,

and it is one of the items not in her cupboard.

The Iraqi government has closed all fast-food restaurants and many pastry shops because they would use large amounts of sugar. Those remaining open bake bread instead of sweets.

Bayati and her neighbors compared living conditions now with life during the 1980-88 war with Iran. They said more food was available then, but they still have managed to pile shelves full of canned goods and pickled food and to load refrigerators with meat and frozen vegetables, despite government warnings against hoarding.

The women said the last war and the current crisis have forced them to economize. Those at the table included Christeen Yohan, a German married to an Iraqi man, who has lived in Iraq for 20 years.

"Iraqi women are quite capable of overcoming difficulties," she said.

The women said they have taught their children to cope with difficult conditions.

Elsewhere in Baghdad, life seems to roll along without much change.

Some businesses, like travel agencies and airline offices, have closed.

## Baghdad starts confiscating foreign assets

Baghdad on Wednesday began confiscating all foreign assets from countries imposing sanctions on Iraq, but it allowed another planload of hundreds of American women and children to fly to freedom.

International support grew for a proposed air embargo against Iraq. So did worries about the economic fallout from the Persian Gulf conflict.

In other developments Wednesday:

- The chairman of the KGB offered to give the CIA intelligence about Iraq, where the Soviet government still has about 5,000 specialists.

But people rarely complain. Grumbling is frowned upon by the Iraqi government, and the ruling Baath Party has a wide network of neighborhood informers who watch for potential troublemakers.

"We hope this crisis ends peacefully, but in the meantime, we try to live normally," said the manager of an Iraqi Airlines office.

- Defense Secretary Dick Cheney asked Congress to let the Pentagon accept and spend billions of dollars in allied contributions for military operations in the gulf without prior approval from Capitol Hill. The House approved a nearly \$1 billion package to assist the U.S. military buildup in the gulf.

- An Army paratrooper suffered a superficial leg wound when struck by shrapnel from a misguided artillery shell in live-fire exercises by U.S. forces in the Saudi desert.

- Jordan's King Hussein flew to the Moroccan capital, Rabat, for a summit with Moroccan and Algerian leaders aimed at solving the Persian Gulf crisis.

Persian Gulf crisis.

- Iranian Foreign Minister Ali Akbar Velayati indicated that Tehran would open talks with Saudi Arabia, its greatest rival in the Moslem world, to seek a solution to the gulf crisis.

- Japanese automakers agreed to allow the United States to use three auto transport ships to carry vehicles and other goods to the Middle East.

- The flow of Kuwaitis into Saudi Arabia slowed, four days after Iraq began allowing citizens to flee. Only about 30 cars passed through the Khafji border crossing.

get the daily ration of bread.

The only medicines on pharmacy shelves are drugs bought before Aug. 2 or those made in Jordan. Prices have increased dramatically.

Tarik Al Sukooti, a leader of the accountants and auditors union, said Iraqi people support their president because they believe he is doing the right thing.

## Polish president announces plans for early resignation

WARSAW, Poland - President Wojciech Jaruzelski, the only Communist leader to survive politically after democratic revolutions swept the East bloc, told Parliament on Wednesday he will resign early to help Poland complete its transition to democracy.

Jaruzelski's announcement came amid increased calls for his resignation to make way for a popularly chosen head of state.

Solidarity chairman Lech Walesa has already declared his candidacy for president, and Prime Minister Tadeusz Mazowiecki, Walesa's former adviser and ally, also is considering running.

As Communist Party leader in 1981, Jaruzelski imposed martial

law but peacefully transferred power to a Solidarity-led government eight years later. He was named president by parliament in July 1989 for a six-year term.

Jaruzelski sent a letter Wednesday to the Sejm, or lower house of parliament, asking it to name a date for ending his term.

Jaruzelski announced his planned resignation after a six-hour meeting at which the nation's feuding political leaders agreed in principle to hold early elections for both the presidency and parliament. No date was set for what would be post-Communist Poland's first fully democratic elections for president and parliament.

## Oklahoma voters limit office terms

WASHINGTON - Oklahoma voters enacted the nation's first sweeping limit on how long politicians can hold elective office, but in Massachusetts they did it the old fashioned way and threw them out.

In a primary election that was reminiscent of the French Revolution, heads rolled at all levels of the Massachusetts ballot.

"A lot of voters have been very angry for a long time and they finally got a chance to go to the ballot and say so," said Ralph Whitehead, analyst at the University of Massachusetts.

In the Democratic primary, John

Silber easily defeated former Attorney General Francis Bellotti for the nomination to succeed Gov. Michael Dukakis. Silber, on leave as president of Boston University, ran as the anti-establishment candidate.

Winning the Republican gubernatorial nomination was former U.S. Attorney William Weld, who also ran an outsider's campaign against state House Republican Leader Steven Pierce.

The results from Massachusetts and Oklahoma seemed to blow away any complacency on the part of incumbents.

By a 2-to-1 margin, Oklahoma

voters approved a constitutional amendment placing a 12-year lifetime limit on state legislative service, the first state to do so, but probably not the last.

Similar proposals will be on the November ballot in California and Colorado and additional proposals have been introduced in New York and Florida.

Oklahoma voters also backed the outsiders in the primaries for governor, giving the nod to David Walters over veteran congressman Wes Watkins for the Democratic nomination and for Bill Price over Vince Orza in the GOP balloting.

## Senate may debate gas-guzzling car bill

WASHINGTON - America's gas-guzzling cars are under the heaviest attack in more than a decade as the Mideast crisis brings home the country's reliance on foreign oil.

And Detroit is shuddering.

Today the Senate is expected to take up a bill that would require automakers to produce cars with an average gas mileage of 40 miles per gallon.

The bill was once given scant chance, but industry lobbyists and members of the Bush administration now say they're concerned the measure may sneak through as Congress

searches for a response to the crisis in the Persian Gulf.

The spotlight shining once more on efficient cars could not have caught automakers at a worse time. For years, they have been increasingly pushing performance over gasoline savings.

As the bill's prospects have risen, so have the voices on both sides of the issue.

"It should be called the highway fatality bill," Transportation Secretary Samuel Skinner told a news conference called so he could denounce the legislation. If passed, he said, the measure would lead to smaller

cars and more traffic deaths.

Skinner said the "near hysteria" over the Mideast situation may propel the legislation through Congress even though, he insisted, the mileage goals are "unrealistic, irresponsible and, more important, unattainable."

He said he would urge President Bush to veto the bill if it reaches his desk. But environmentalists say Skinner is being taken in by the automakers, who repeatedly have said they lack the technology to improve fuel efficiency dramatically after years of making cars lighter, smaller and more efficient.

### Daily Nebraskan

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