

## Economists say recession is imminent

WASHINGTON - The nation's economy nearly came to a standstill in the second quarter, edging up a feeble annual rate of 0.4 percent, the government said Tuesday. Many of the nation's top economists believe a recession is imminent -- if not under way already.

While White House spokesman Marlin Fitzwater said "we don't believe we are in a recession right now," he acknowledged the latest Commerce Department report on the gross national product "is certainly cause for concern. It's not good news."

The department's revised report on the GNP -- the nation's total output of goods and services -- was the lowest since a 0.3 percent rate during the last quarter of 1989 and showed the economy weakening even before the Persian Gulf crisis.

"The economy was headed toward a recession before Iraq, and Iraq was just the nail in the coffin," said Allen Sinai, chief economist for the Boston Co. A recession "seems inescapable," he said.

Surveys following Iraq's Aug. 2 invasion of Kuwait -- and the subsequent oil-price spiral -- showed many top economists forecasting an imminent recession.

The National Association of Business Economists reported Tuesday

that more than half of the 71 professional forecasters responding to its survey in late August and early September said a recession already has begun or will begin in the fourth quarter of 1990 or the first quarter of 1991.

And half of the top economists surveyed each month by Blue Chip Economic Indicators now believe the economy will enter a recession this year.

"In a sharp revision of earlier views, 50 percent of the 50 panel members replying . . . now think the long-delayed recession will start this year," wrote R.J. Eggert, the newsletter's editor.

"Of those expecting the recession to begin this year, three believe it actually began in the second quarter, six expect the downturn to begin in the current quarter and 16 have pegged the fourth quarter of this year as the starting date."

Sinai pointed to negative economic data already available for July and August and said, "It looks like the recession started in the third quarter."

"The economy ground to a halt in the second quarter and is in the process of contracting right now," added Richard W. Rahn, chief economist for the U.S. Chamber of Commerce.

### Gas prices could reach up to \$2 a gallon

NEW YORK - As crude oil approaches \$40 per barrel, some analysts say consumers should enjoy \$1.35 a gallon gasoline while they can.

Gas prices are likely to go up, perhaps even beyond \$2 per gallon, if a shooting war breaks out in the Persian Gulf, experts said Tuesday. And if oil should stay high for a sustained period, the fallout will be widespread, running up the cost of practically everything while slowing economic growth.

"This is not good news for the

consumer," said Peter Beutel, an oil analyst with Pegasus Econometric Group Inc. in Hoboken, N.J. "The problem with energy is it permeates the economy like a ripple in a pond. It's not just the price of heating oil and the price of gasoline."

Not all analysts believe oil will stay as high as it is. They say that too much war hysteria may have been built into the market, that Iraq's ability to take out Saudi Arabian oil facilities may be overestimated, and that replacing a

bombed oil well is much simpler than replacing a bombed factory.

Others, including Beutel, say \$40 barrels of oil seem inevitable in the near future. Some estimates have put oil at \$60 to \$65 a barrel during a war.

Oil prices have climbed steadily since Iraq invaded Kuwait last month. Saddam Hussein's saber-rattling this week put them less than \$1 away from the ominous \$40 figure. Crude last reached that plateau a decade ago, in the last oil crisis.

A price index tied to the GNP was unchanged at an annual rate of 3.9 percent in the second quarter. But with the surge in oil prices, inflation as measured in the Consumer Price Index jumped 0.8 percent in August alone. The higher prices will be reflected in the third-quarter GNP report.

The price of oil before the Iraqi invasion was less than \$20 a barrel. It reached a record \$38 a barrel at one point on Monday.

Since oil is used in producing so many consumer goods as well as for

heating and transportation, any price increase not only slashes available funds needed to feed economic growth but also feeds inflation.

The department originally had estimated the economy grew at a 1.2 percent rate from April through June, after advances of 1.7 percent in the first quarter and 2.5 percent in 1989 and 4.5 percent in 1988.

But it said Tuesday that more complete data showed weaker net exports and lower inventory accumulation than first thought.

The new data showed net exports declining by \$9.2 billion rather than \$4.5 billion, and inventories totaling \$19.8 billion rather than \$22.4 billion.

"But there really were no areas of strength," Sinai said.

Consumer spending, which represents two-thirds of the nation's economic activity, rose just 0.2 percent, down from 1.1 percent in the first quarter. Business investment fell 4.7 percent after a 5 percent gain from January through March.

## Gulf update

### Saddam addresses America

WASHINGTON - Iraqi President Saddam Hussein said in a message to Americans broadcast Tuesday that President Bush was sending Americans to a war more terrible than Vietnam.

In a 75-minute address taped last week, Saddam warned that if Bush were to launch a war against Iraq, "it would not be up to him to end it."

Sitting at his desk with an Iraqi flag at his side, Saddam said he was addressing his message to the American people to explain the truth behind Iraq's Aug. 2 invasion and occupation of Kuwait.

The rambling address, peppered with references to Allah and his teachings, repeatedly accused Bush and Kuwait's rulers of plotting to impoverish his country and steal its oil.

"Bush, ladies and gentlemen, is sending your sons to war for no purpose save fatal arrogance," Saddam said.

The U.S. decision to deploy troops in Saudi Arabia and the possible war that could ensue would be a repeat of the Vietnam experience for the United States, except "more violent and causing bigger losses," Saddam said.

He challenged Bush, again, to an international television debate so that he could tell the world the facts about Iraq's actions and so that the American leader could learn about his intentions.

Iraq desires peace, but one that is based on a broad resolution of all the region's problems, Saddam said. He repeated his call for a peace conference that would resolve Israel's 23-year occupation of Arab lands, Syria's 14-year occupation of Lebanon and Iraq's claims to Kuwait.

Cable News Network began airing portions of the tape at 4 p.m. EDT.

### U.N. approves air embargo

UNITED NATIONS - The Security Council voted 14-1 on Tuesday to impose an air embargo against Iraq, cutting off flights to and from that nation and occupied Kuwait. Cuba cast the lone dissenting vote.

Resolution 670 also calls on all member states of the United Nations to deny landing rights to airplanes coming from Iraq or Kuwait, which was invaded Aug. 2 by the Iraqis and annexed.

Only flights authorized by the Security Council's sanctions committee will be allowed to go to Iraq and Kuwait, and then only after they have been inspected to confirm they are carrying humanitarian cargo -- food or medical supplies.

It also calls on all U.N. member nations to "detain any ships of Iraqi registry which enter their ports and which are being or have been used in violation of Resolution 661," the council's original trade embargo resolution passed Aug. 6.

## East Germany's last leader says people fear unification

EAST GERMANY - The last leader of a sovereign East Germany said Tuesday his people are truly afraid as they prepare to join the competitive, free-thinking and robust society next door.

Lothar de Maiziere, in a wide-ranging talk with The Associated Press board, said his nation's 16 million people will need help to thrive in a new world based on initiative and free enterprise.

He said East Germans, forced to live in a Communist society for four decades, have grown accustomed to a life in which their futures -- and their jobs -- were largely preordained by the government.

Although most East Germans desperately desire the German unification that takes place Oct. 3, de Maiziere said they realize they will be expected to take control of their indi-

vidual destinies.

"The future in the past meant the future prescribed by the Politburo," he said. "Now the people see their future is not a prescribed time, but a free time. This is something people did not learn, and they are afraid of that."

He said the government of a united Germany must have a "strong social consciousness" to help East Germans make the transition and avoid becoming a second-class population.

De Maiziere, a 50-year-old lawyer, will turn over to West Germany the leadership of his nation in just eight days.

He was East Germany's first freely chosen leader and guided it through a rocky, six-month period of tough negotiations on the terms and timing of unification.

He said he has made no decision

on whether to accept one of the four new Cabinet posts that will be filled by East Germans in the newly expanded government of West German Chancellor Helmut Kohl.

But de Maiziere said he has viewed his role as prime minister as that of a lawyer representing a very large client, and he would accept a similar role in a united Germany.

He defended his people, who critics say will be bringing nothing to a united Germany but debts, social problems, a questionable work ethic and a crumbling economy.

He said East Germans did not choose their system, which was imposed by the Soviets and remains a legacy of the war started by the Nazis. The nation, de Maiziere said, is part of German history and the cradle of the culture that gave the world Bach, Goethe and Handel.

## Students protest ban on clothing

OMAHA - An Omaha school board committee heard 17 high school students protest new guidelines banning gang-style clothing and symbols from schools, then decided to stay out of the controversy.

The students from Omaha's Burke High School Monday protested guidelines that ban certain professional athletic team clothing, hair styles, hats or jackets worn in the school building, saggy pants worn below the hips, red suspenders, combat boots, and bandannas.

The committee took no action to rescind or rewrite the guidelines.

"If the gangs all start wearing suits, will you stop wearing them?" Burke High student Jason Brace asked the

board members.

Brace, who wore a sign saying "Freedom of Expression Big Brother is Watching" pinned to the back of his black leather jacket, said he was suspended Friday for refusing to put the jacket in his locker.

Brace and other students, some of whom said they may be suspended for leaving school early for the 1 p.m. meeting, said their right to express themselves through clothing shouldn't be infringed because a minority of students are involved in gangs.

They won support from Bill Schatz of Lincoln, who said he represented the American Civil Liberties Union and hadn't encountered such an infringement of freedom of expression

since the era of Vietnam war protesters.

"Restricting what students can wear to stifle gang activity treats only the symptoms and deprives all students of their First Amendment right to expression," Schatz said.

"The goal is to ensure student safety and to reduce the anxiety and intimidation factors in schools," Assistant Superintendent Don Benning said.

He and Ron Burmood, director of student personnel services, said district administrators and principals developed the guidelines because some schools have had fights on campuses arising out of clothing worn by students.

## Mulroney's approval rating plummets

TORONTO - Conservative Prime Minister Brian Mulroney heads into the new political season with an awesome array of worries ranging from rebellious Indians and unpopular taxes to threats of a breakup of the confederation.

Mulroney is in big trouble with voters, scoring 14 percent or less in the polls. But the opposition Liberals have been unable to capitalize on

Mulroney's growing unpopularity and were drubbed in two recent provincial elections.

Many Canadians feel the country is leaderless and adrift.

Mulroney's government is the most unpopular since the Gallup organization began taking polls in the country 50 years ago. The polls say the Progressive Conservatives are favored

by only 20 percent of the population.

At the end of July, Gallup asked Canadians who would make the best prime minister -- Mulroney, Chretien or socialist New Democratic Party chief Audrey McLaughlin.

Of those questioned, 30 percent chose Chretien, 18 percent McLaughlin and 14 percent Mulroney. Thirty-eight percent rejected all three or said they didn't know which one they liked.