

Congress comes closer to compromise

WASHINGTON - Congressional leaders expressed optimism Thursday that a long-sought budget deal with the Bush administration would be reached in time to avoid bone-deep cuts in federal programs on Monday.

The two sides, racing the calendar, swapped offers that ranged from increasing taxes on many Social Security recipients to delaying cost-of-living increases for people who receive federal benefits.

President Bush continued to assail Democrats as the culprits in the months-long budget standoff, which has brought the government to the brink of the new fiscal year without any spending legislation in place.

Increasingly restive rank-and-file lawmakers, Democrat and Republican, complained that the compromise package in the works went too far to satisfy the opposite party. The disgruntlement signaled potential problems for whatever Congress is finally asked to vote on.

But with both sides hoping to prevent a staggering blow to government services Mon-

day, and Bush softening his demands for a capital gains tax cut, the prospects for success among the negotiators seemed to brighten.

"We're a little bit in the precincts of reaching a conclusion, rather than the wrap-up stage," said House Speaker Thomas Foley, D-Wash.

"A good deal has been agreed to tentatively." "They're basically there outside of capital gains," said Rep. Silvio Conte, R-Mass., a senior Republican. "Get rid of that darned thing, we're home free."

Bush's insistence on slashing the capital gains tax has been the major barrier to a five-year, \$500 billion deficit-reduction package. The levy, which applies to profits from the sale of property, has the same rates as the income tax.

But the president has softened his demand, and is now willing to leave the rates constant if the increased value of an asset because of inflation is exempted, officials close to the talks have said. Bush's latest proposal would still amount to a substantial cut.

And as top officials from both sides labored for a ninth day in search of an agreement, Democrats said they remained leery of the new capital gains offer. Their objection remained the same as it has been for weeks: a belief that the wealthy would benefit disproportionately from the reduction.

"What do we get for it?" asked one Democrat who demanded anonymity.

One GOP suggestion for finding additional savings in benefit programs was to delay next year's cost-of-living increase for the 39 million Social Security recipients for three months, said an official who asked to not be identified.

"There may be senior citizens wondering why their Social Security checks are late," Bush said Thursday at a GOP breakfast in Minneapolis, citing a federal program that would be damaged by Monday's automatic cuts. "We can't afford business as usual. The American people deserve better."

Even before his comments became known in the Capitol, a parade of Democrats took to

the House floor and lambasted the president taking his Midwest campaign trip in the heat of a budget crisis.

"George Bush, phone home," said Rep. Dennis Eckart, D-Ohio.

It seemed possible that whatever compromise Congress was asked to vote on could be defeated, at least initially. A rare Sunday congressional session, to vote on a package if one was produced, seemed all but certain.

Chairman Rep. Ronald Dellums of the liberal Congressional Black Caucus predicted that lawmakers would be asked to vote on a budget deal that "further savages already decimated programs in housing, health care, education and job training." Dellums, D-Calif., called on representatives to vote against the package.

Conservative Sen. Trent Lott, R-Miss., predicted that party leaders would have a hard time finding support.

If GOP leaders believed he would vote for the measure, Lott said, "They are smoking something."

GULF UPDATE

Gulf crisis enters 8th week as Iraq threatens diplomats

Western governments reacted with outrage Thursday to Iraq's threat to execute diplomats who shelter foreigners, but Baghdad sought to portray it as a misunderstanding, saying the warning was aimed at its own citizens.

Eight weeks to the day after Iraq overran Kuwait, its exiled emir addressed the United Nations General Assembly, decrying the "rape, destruction and terror" inflicted by Saddam Hussein's armies and appealing for a withdrawal of Iraqi troops.

But Iraq tightened its grip on the conquered emirate, ordering Kuwaiti nationals to apply for Iraqi citizenship.

Oil prices rose again Thursday, briefly breaking the \$40-a-barrel mark, a day after President Bush ordered the sale of a fraction of the oil from the U.S. Strategic Petroleum Reserve to try to dampen soaring prices. High oil prices helped drive down stocks again, with the Dow Jones industrial average closing off 32.17 points at 2,427.48.

International finance officials expressed new concerns about long-term financial consequences of the Persian Gulf crisis. The head of the World Bank said he might be forced to call on wealthy nations to boost their support for the lending institution by early next year.

Britain, in a surprise move, announced the restoration of diplomatic ties with Iran, which were severed after the Ayatollah Khomeini's death decree against author Salman Rushdie for his book "The Satanic Verses."

Neither side publicly linked the move to the current gulf crisis, but Iran's relations with the West have been improving, and it has said it is cooperating with the U.N.'s economic boycott against Iraq. Iran has a 700-mile-long border with Iraq, and its cooperation with the U.N. sanctions is seen as crucial.

Enforcement of the embargo led to a flareup of tensions Thursday in the Red Sea, where the Pentagon said a U.S. frigate fired warning shots at an Iraqi tanker after it ignored an order to halt. A team from the USS Elmer Montgomery boarded the tanker Tadmur and inspected it, but it was empty, and was allowed to proceed.

At the United Nations, the deposed emir of Kuwait, Sheik Jaber al-Ahmad al-Jaber al-Sabah, spoke emotionally of his homeland, which he described as the victim of "naked, brutal aggression."

Underscoring the U.S. view that the emir is still the legitimate ruler of Kuwait, Bush has invited him to Washington for a visit today.

Also due to visit is Japanese Prime Minister Toshiki Kaifu, who was to travel to the United States today. On Thursday, Kaifu unveiled a plan to dispatch Japanese military personnel to the gulf region, in what would be the first such overseas deployment of Japanese forces since World War II. But Kaifu said they would be unarmed and kept away from combat.

Committee approves nomination; full Senate confirmation expected

WASHINGTON - The Senate Judiciary Committee approved the nomination of New Hampshire jurist David H. Souter to the Supreme Court on Thursday with only one dissenting vote. The full Senate is expected to confirm him easily, but not before the court begins its fall term on Monday.

Both Democrats and Republicans on the committee said they saw in President Bush's nominee a brilliant legal scholar and a man of good temperament and integrity. In the 13-1 vote, only Edward M. Kennedy, D-Mass., opposed him.

Howell Heflin, a conservative Alabama Democrat whose opposition helped kill the 1987 Supreme Court nomination of Robert Bork, said he liked Souter's "clearheaded approach" and lack of an ideological agenda.

Added Howard Metzenbaum, D-Ohio: "My sense is that David Souter is a fair and open-minded jurist who knows well the weight of the responsibilities which will be placed upon him."

Bush hailed the committee action

and repeated his request that the Senate "act as quickly as possible to confirm this man" so he could be seated when the court begins its new session.

A vote was unlikely before next week, however, officials and others close to the situation indicated.

One factor was the Jewish holiday Yom Kippur which was interrupting Congress' schedule today. And Biden and other Democrats wouldn't waive rules that give senators time before voting to review a committee's findings.

Souter, 51, in a statement released in New Hampshire, thanked committee leaders and members "for their courtesy and consideration. I am gratified by their action. I await the decision of the full Senate."

Earlier, Tom Rath, like Souter a former New Hampshire attorney general, said Souter heard of the panel's action on a radio in Rath's law office.

"To get this kind of overwhelming support makes us feel very good," Rath said, adding that Souter would issue his separate statement as soon

as the White House approved it.

"Judge Souter is not the sort of judge I would nominate if I were president," said committee chairman Joseph Biden, D-Del., a supporter of abortion rights.

Souter "just barely" met his criteria, Biden said. "But I think that he is about the best we can expect" from Bush, who opposes abortion rights, he said.

"Aspects of Judge Souter's testimony were of little comfort to legal conservatives including this senator," said Gordon Humphrey, R-N.H., in a statement released at the committee session. "But we recognize that the president is entitled to considerable deference in his choice for the Supreme Court."

"I am troubled that . . . he will solidify a 5-4 anti-civil-rights, anti-privacy majority inclined to turn back the clock on the historic progress of recent decades," Kennedy said.

"I hope I am wrong. But I fear I am right," Kennedy said. "The lesson of the past decade . . . is that we must vote our fears, not our hopes."

Student guns down eight in bar

BERKELEY, Calif. - A "deranged" Iranian gunman with a hatred of blond Americans died in a burst of police bullets Thursday, seven hours after he stormed a bar, killed one man, wounded seven people and took 33 hostages.

Six officers stormed Henry's Public House and Grille in the Durant Hotel after police negotiators decided they couldn't talk the gunman out of the bar, said Lt. Jim Polk.

"We decided there was no other way," said Polk.

He said the gunman, identified by University of California, Berkeley, spokesman Ray Colvig as Mehrdad Dashti, gave away his position inside the bar by using one of the terrorized hostages as an intermediary in talking

to police by telephone.

"Every time the hostage would have to ask a question of this bad guy, he would have to turn around and look at him and this gave us a good idea of where he was," said Polk.

Seconds after the burst of police gunfire around 7:20 a.m., hostages, some of whom had been forced to sit in the windows of the bar as shields, ran from the hotel.

Dashti, 30, a native of Iran, was naked and bleeding when he was loaded into an ambulance and taken to Highland Hospital. He was dead on arrival, according to hospital spokeswoman Phyllis Brown.

"He was apparently very confused," said Berkeley Police Capt. Phil Doran. "Deranged is not a bad

description."

"For some reason, he had something against blonds, Caucasian women and blond-haired, blue-eyed men," said Douglas Moore, 25, a UC student and manager of the bar who was one of the hostages. "He had something against Americans."

"He accused the women of showing too much leg," Moore said. "He accused them of wearing tight skirts, short skirts . . ."

"He said it was that kind of trash that was leading guys like him on and that they deserved to be punished . . . He did a pretty good job of degrading the women."

Doran said one of Dashti's complaints was that "he didn't get a student loan."

Gorbachev demonstrates new power

MOSCOW - President Mikhail S. Gorbachev began using his sweeping new powers to rescue the collapsing Soviet economy on Thursday, ordering businesses to fulfill supply contracts and the government to ensure distribution.

But it was far from clear that people would comply with his order. Many are uncertain how they will fit in the market economy Gorbachev is trying to establish and they find it more profitable to trade goods on the black market, rather than distribute them in the established structure.

In his first decree since the Supreme Soviet legislature on Monday

granted him new powers to shore up the economy and maintain law and order, Gorbachev said told government businesses, "regardless of their administrative subordination and location," to preserve economic ties. He said the businesses should meet all contract obligations for raw materials and other goods in the last quarter of this year and throughout 1991.

It is during that period that the country will be trying to switch from a centrally planned to a market economy under a plan the Supreme Soviet is to select after Oct. 15.

Gorbachev's decree, read on the nightly TV newscast "Vremya" and released by the Tass news agency,

was an attempt to preserve the status quo at a time when many businesses are trying to bypass Moscow and trade directly with each other.

Gorbachev said it was "impermissible" that managers had disrupted economic ties and referred to "the extraordinary nature of the situation."

In a harkening back to Bolshevik appeals to the proletariat, Gorbachev urged workers to join their bosses in making sure contracts are kept. He also said the Council of Ministers, the Soviet Cabinet, should if necessary "introduce a special regime for the operation of railways and other all-state life-sustaining systems of the country."

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