

Plan calls for higher taxes, not 'raw pain'

WASHINGTON — On the eve of addressing Congress, President Clinton tried to smooth the way Tuesday for an economic austerity plan that would impose higher taxes on families making more than \$30,000 but reserve the biggest blow for Americans earning \$100,000 or above.

"I think that when you see the whole program, it won't be raw pain," Clinton said. "I think most middle-class Americans, when they look at the costs plus the benefits, they're going to be much, much better off."

The stock market tumbled nearly 83 points on fears that higher taxes would short-circuit an economic revival and would not be accompanied by deep cuts in government spending.

Clinton shrugged off the drop, saying, "The people in the stock market have known in general all among what was going to be in the program and the stock market's gone up markedly since the election."

Senate Republican leader Bob Dole said the market was reacting to Clinton's speech Monday night.

"Dropping like a rock," Dole said. "Hold onto your wallets."

The president will go before a joint session of Congress with a nationally televised speech at 9 p.m. Wednesday to explain details of his \$500 billion plan of tax increases and spending cuts over four years.

The broadest impact of Clinton's tax program would be from a new tax on energy. Details of the energy tax were being withheld until Clinton's speech, but it is supposed to be based on the heat content of fuels.

There also will be an increase in the top individual and corporate income tax rates, and an increase in the percentage of Social Security benefits subject to taxation for couples earning over \$32,000 or individuals earning more than \$25,000.

The plan calls for a \$15 billion investment tax credit, and for \$16 billion in short-term spending for job-intensive projects such as highway and bridge construction.

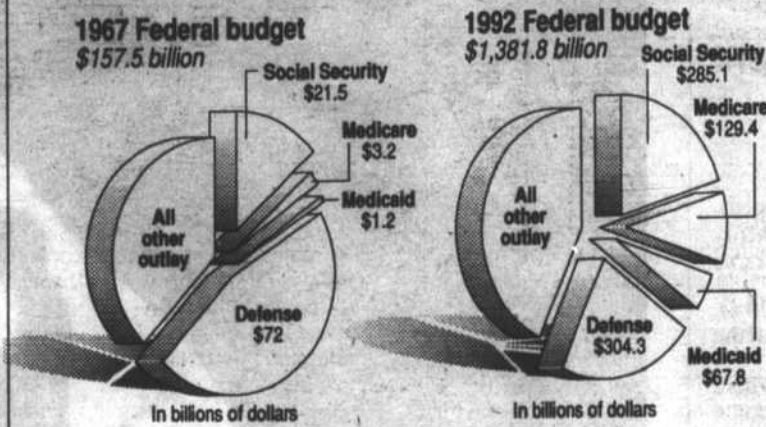
White House press secretary Dee Dee Myers confirmed that the administration is considering another round of increases to pay for universal health care.

Reducing the deficit

Clinton plans to cut the federal deficit by raising taxes, cutting discretionary spending and controlling entitlements such as health care.

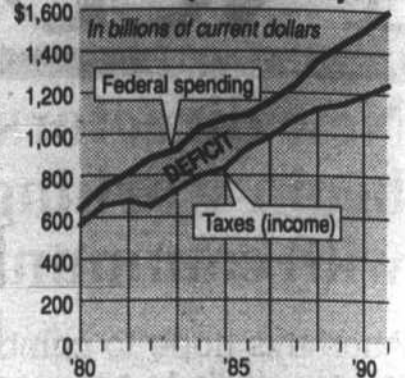
Health care expenses dominate budget pie

- Health care has become the biggest share of federal spending. It is expected that Clinton will announce cuts to help control the deficit. Deep cuts in defense spending are expected over the next few years with \$8 billion cut below the Bush administration's plan for 1994. Major budget outlays go toward the national debt which has quadrupled since 1980.

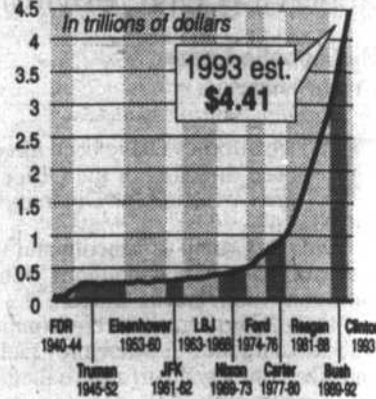


Source: U.S. Dept. of Labor, Office of Management and Budget; Congressional Budget Office

U.S. receipts and outlays



U.S. federal debt since 1940



AP

Auditors find weaknesses in bank studies

WASHINGTON — Congressional auditors said Tuesday they have found surprising weakness in the examinations of banks and savings institutions by federal regulators for safety and soundness.

Only one of 58 randomly selected banks and thrifts was adequately examined, the General Accounting Office said in reports prepared for the House Banking Committee.

"Our review of the examination process shows surprising weakness in this fundamental regulatory function, which many have assumed to be an effective deterrent to unsafe and unsound banking," said Charles A. Bowsher, the head of the GAO.

The GAO issued four reports — one each on the Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corp. and Office of Thrift Supervision.

U.N. to inspect suspected Iraqi arms sites

BAGHDAD, Iraq — The United Nations plans to send more weapons inspectors to Baghdad and conduct aerial surveys of two sites where it suspects Saddam Hussein's government designed nuclear missiles, U.N. officials said Tuesday.



The decision to challenge Saddam's ban on flights over Baghdad will test Iraqi compliance

The decision to challenge Saddam's ban on flights over Baghdad will test Iraqi compliance with U.N. Security Council terms for ending the Persian Gulf War. If Iraq refuses to comply, it could lead to President Clinton's first showdown with Saddam.

Tim Trevan, a spokesman for the U.N. Special Commission overseeing the destruction of Iraq's major weapons systems, said inspection teams had not flown over the capital so far out of respect for Iraqi sensitivities.

But "we have the right to fly over Baghdad," Trevan said in New York. "We will exercise that right when we

have operational need to do so."

Pierce Corden, an American who is deputy chief of the Special Commission, declined to comment about possible flights over Baghdad. But he said three to four new teams of weapons inspectors would be coming to Baghdad soon.

"Unless there is a dramatic change in Baghdad's attitude, Iraq has a long way to go fulfilling all the Gulf War Security Council resolutions," said Corden, who was in Baghdad preparing a report on the commission's progress.

U.N. inspectors have given the Iraqis notice they want to fly over two relatively small sites in Baghdad believed to contain equipment to design prototypes of nuclear ballistic missiles, Trevan said. However, the Iraqis have not been given flight plans or a date, he said.

The sites were not included in Baghdad's disclosure of facilities involved in nuclear research, Trevan said. The inspectors discovered the sites on their own, and have checked them on visits by car.

Serb tanks block convoy, maul two areas

SARAJEVO, Bosnia-Herzegovina — Serb militiamen and tanks battered two areas in western Sarajevo and blocked the main airport road Tuesday in a major escalation of fighting as residents tried to conserve dwindling food supplies.



On the border with Yugoslavia, Bosnian Serbs also blocked a U.N. aid convoy for a third straight day from

getting to an area in eastern Bosnia. The Serbs allowed a second convoy to pass through the same checkpoint. Bosnia's Muslims have become increasingly hostile to the U.N. peacekeeping and aid operations because of the failure to stop the war or get aid to Muslims trapped by Serb forces.

Sarajevo officials are refusing to distribute U.N. food in hopes of pressuring the United Nations. Aid flights were suspended late last week because U.N. warehouses were filling up.

The last normal aid delivery from warehouses was made Thursday, but citizens were believed to have saved up food to last for several days. The last operating bakery ran out of cooking fuel on Monday.

A Bosnian journalist, who spoke on condition of anonymity, said she watched people run into a shelled warehouse Monday and grab food.

Canada announced it is sending 1,200 soldiers serving as U.N. peacekeepers in neighboring Croatia to help deliver relief supplies in Bosnia. The

troops will begin arriving in a few days, the announcement said.

Officials of Bosnia's Muslim-led government declared a citywide alert in Sarajevo for a second consecutive day, warning people to stay indoors because of heavy shelling and sniper fire.

Bosnian radio said Serbs had brought in 10 new tanks for a concentrated attack on the Azici and Stup neighborhoods around the airport.

"It is a very serious situation," the broadcast said.

Jury prospects quizzed for King trial

LOS ANGELES — A racially mixed group of prospective jurors who all had seen the videotape of police beating Rodney King said Tuesday they could be fair in the second trial of four officers despite the potential for riots.

An Asian woman who was one of the first 12 panelists called into the federal court jury box said she watched most of the officers' earlier trial in state court on television and disagreed with that jury's verdicts of acquittal on all but one charge.

Those verdicts led to deadly riots in Los Angeles last spring.

The woman also said she was worried about friends' reactions if she

voted to acquit the white officers in the 1991 beating of King, a black motorist. Asked how her friends and family would treat her if she voted for acquittal, she said: "I'm sure they would treat me fairly and understand."

Asked by Assistant U.S. Attorney Barry Kowalski how she thought they would react if she voted to convict, she said: "I'm sure they would feel justice has been done."

The first jury pool of 73 was three-quarters male and included nine blacks, about a dozen Hispanics and a few Asians.

The first 12 potential jurors were selected randomly from those who crowded into U.S. District Judge John

Davies' courtroom. They included two blacks, an Asian, a Hispanic and eight whites.

The judge had said he hoped a jury would be seated by the end of the day Wednesday. Only four people were questioned by the prosecution by lunchtime.

Before questioning began, the judge acknowledged the notoriety of the videotape, saying the test of a fair jury was not whether panelists had seen the tape, but whether they could be fair.

"If we disqualified everyone who had seen a broadcast of that (tape), I don't think we'd ever get a jury," Davies said.

WORLD WIRE

Babbitt: Land should sell at market value

WASHINGTON — The Clinton administration wants a better return on resources from public lands, such as grazing and mining operations and park concession contracts, Interior Secretary Bruce Babbitt said Tuesday.

President Clinton's budget director, Leon Panetta, "has been

Barbara Bush treated for arm injury

MIAMI — Former first lady Barbara Bush was treated at a hospital Tuesday for an arm injury shortly after she and former President Bush returned from a Caribbean cruise, a spokesman said.

Mrs. Bush was released from Jackson Memorial Hospital a few hours after her arrival, said Bush spokesman Andrew Maner. She appeared in good spirits as she left the hospital, her left forearm covered by a 4-inch bandage.

"She's in perfect health," Maner said. "She had hurt the arm while they were still in the White House. The wound reopened."

Snow buries Plains and Eastern states

A storm that dropped a foot or more of snow bogged down highways and closed schools Tuesday from the Plains to New England, and some travelers had to spend the night on a church floor. Many motorists ended up in ditches or in fender-bender accidents. Police in western New York state blamed one traffic death on the weather. On Monday, the storm was blamed for seven traffic deaths — four in Missouri, two in Oklahoma and one in Kentucky.

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