

National debt first on priority list

THE ASSOCIATED PRESS

WASHINGTON — Federal Reserve Chairman Alan Greenspan signaled Tuesday that further cuts in interest rates may be needed to help an economy facing significant "downside risks." He said President Bush's effort to speed up tax relief would not prevent recession.

Greenspan faced a barrage of questions from Republicans and Democrats on the Senate Banking Committee about his statement last month that endorsed the use of the government's ballooning surpluses for tax relief.

While not backing off from his support of tax cuts, Greenspan said he held the belief that paying off the national debt remained the top priority. He repeated that he believed surplus estimates were so large they could accommodate both goals.

Democrats contended in their questioning that the Bush administration overstated Greenspan's endorsement of tax cuts by saying that he was in support of the full \$1.6 trillion program that Bush has proposed.

Greenspan said some news reports had failed to include his qualifiers, including a recommendation that Congress consider tying tax relief in coming years to specific debt reduction targets. He refused to be drawn into specifying for either party how large a tax cut he would feel comfortable with. Such a decision, he said, should be left to the politicians.

Eliminating the federal debt

"For the period ahead, downside risks predominate."

Alan Greenspan
Federal Reserve chairman

"is still, frankly, my first priority," Greenspan said, a point he repeated several times during the hearing. In response to one question, he read part of his Jan. 25 testimony in which he warned Congress against getting carried away with the mushrooming budget surplus.

Economists didn't view Greenspan's remarks as backtracking on his tax-cut position, but they detected political maneuvering.

"He might be buying back some of what he said last month in an effort to rein in the most aggressive tax-cut efforts that seemed to be unleashed by his previous comments on taxes," said Mark Zandi, chief economist for Economy.com, a consulting firm.

On Wall Street, Greenspan's hints of future rate cuts didn't buoy investors. The Dow Jones industrial average lost 43.45 points to close at 10,903.32.

Greenspan offered a sober assessment of the economy, saying growth was close to "stalling out" at the beginning of the year. Much of the weakness came as businesses cut back quickly on production as sales slumped, he

said.

Greenspan said, however, "at the moment we are not" in a full-blown downturn.

"For the period ahead, downside risks predominate," Greenspan said in his semiannual economic report to the Senate. The risks include whether consumer confidence, which has fallen sharply, holds up during the slowdown and the extent to which businesses will continue to reduce production in the months ahead.

Economists viewed Greenspan's comments that the Fed, which has already reduced interest rates by a full percentage point this year, was prepared to cut rates again to prevent the economy from slipping into a recession. Many analysts expect a cut of one-half percentage point at the Fed's next meeting on March 20.

In his testimony, Greenspan rejected suggestions made by Bush and other Republicans that a \$1.6 trillion tax cut made retroactive to the beginning of the year could avert a recession.

"If a recession is going to happen — and I must say to you, it's not happened yet — it's very unlikely to be affected one way or the other by what the tax policy is going to be," Greenspan said.

Looking ahead, he cited signs of hope that the economy would emerge relatively quickly from its current weakness. The remarkable surge in productivity growth that began four years ago continued even as the economy slowed, he said.

World/Nation

The Associated Press

New York

Rapper Eminem gains support from Rocket man

NEW YORK — Some people are still scratching their heads over Elton John's decision to sing a duet with Eminem at next week's Grammys.

But the rapper, who has included anti-gay rhymes in his songs, thinks he understands why the gay superstar is a supporter.

"I think that Elton John, I think he gets it. Because the kids ... they are taking my music for what it's worth, you know what I mean? They're taking it with a ... grain of salt," Eminem said backstage during a concert last month.

John said he was a big fan of Eminem and did not believe his lyrics, which include references to gays as "fags" and violent imagery, were hateful. The Grammys will be broadcast live from Los Angeles on CBS on Feb. 21.

California

Napster fights to remain open for music business

SAN FRANCISCO — Napster Inc., the online song-swapping sensation, has its work cut out if it wants to parlay Monday's legal defeat into financial victory.

Napster has said it planned to start charging subscription fees by summer, but major record labels haven't yet been persuaded to work side-by-side with the Redwood City-based company.

As a result, the record companies will not willingly part with titles from their coveted artists. It's not even clear whether the one industry heavyweight that does support Napster, Bertelsmann AG, will continue to finance the Internet upstart in the face of a losing legal battle.

Under Monday's ruling by the 9th U.S. Circuit Court of Appeals, the company must somehow stop the millions of people who use it as a clearinghouse to swap copyrighted music without charge and without restriction.

The court sent the case back to a trial judge, asking her to rewrite an injunction so it allows Napster to survive if it is able to patrol its network for copyright infringement — something its own lawyers have said is virtually impossible.

Bertelsmann insists it will continue to support Napster financially.

"This is neither the beginning nor the end of Napster," said Andreas Schmidt, head of Bertelsmann AG's eCommerce group. "Now it's really important to move to the future with a membership-based service."

Yugoslavia

Milosevic to face extradition with passing of new law

BELGRADE — A law now in the works would provide for extraditing suspects — like Slobodan Milosevic — for trial by the U.N. war crimes tribunal, Yugoslavia's president said Tuesday.

In a further tightening of the vise around the former Yugoslav president, a key Milosevic associate was arrested and another was reported to have fled the country.

Milosevic has been indicted by the U.N. war crimes tribunal for alleged atrocities in Kosovo, and the Netherlands-based tribunal has asked that he be extradited to face trial.

Despite the new law, which would remove the ban on extradition of Yugoslav citizens, President Vojislav Kostunica suggested he remain opposed to Milosevic's immediate extradition.

"The law will take up the question of extradition, but that will not be its most important part, nor will extradition solve everything," Kostunica said.



Mark Wilson/Newsweek

Federal Reserve Chairman Alan Greenspan testifies before the Senate Banking Committee Tuesday in Washington, D.C.

Violence between Israel, Palestine returns

THE ASSOCIATED PRESS

GAZA CITY, Gaza Strip — Israeli helicopters targeted a member of an elite unit in Yasser Arafat's police force and killed him with a missile as he drove on a busy street Tuesday, marking a return to Israel's policy of slaying suspected Palestinian militants.

A 13-year-old Palestinian boy was shot and killed in central Gaza, and 60 other people reportedly were wounded by gunfire in the latest escalation of Mideast violence. The Israeli military said its soldiers did not shoot the boy.

In Washington, State Department spokesman Richard Boucher said the Israelis' use of helicopter gunships and Palestinian attacks on settlements and motorists marked a "serious deterioration of the security situation."

On the political front,

"It is a clear message to anyone who is planning to attack Israelis that they will not be able to do so with impunity,"

Ehud Barak
former Israeli prime minister

Israel's Prime Minister-elect Ariel Sharon and his defeated predecessor, Ehud Barak, moved closer to forming a coalition government that would seek only a partial peace deal with the Palestinians, a Sharon spokesman said.

Sharon, who must form a government with majority support in the 120-member parliament before assuming power, can expect to face a

Palestinian population angered by the renewed violence and the diminished prospects for a comprehensive peace agreement.

Israel, which has killed several suspected Palestinian militants in recent months, sent a pair of helicopter gunships to strike at Massoud Ayyad, 54, as he drove on the outskirts of the Jebeliya refugee camp, just outside Gaza City.

Ayyad, an officer in the elite Force 17 unit, was killed as a missile turned the car into a smoldering, twisted pile of metal. The blasts from the missiles shattered windows in buildings up and down the street, including a mosque, witnesses said.

A senior Israeli military officer said the killing foiled an operation that was about to be carried out.

The officer, insisting on anonymity, said it involved a

kidnapping, but would give no further details.

Barak sent his "heartfelt congratulations" to the army for killing Ayyad, who was accused of twice attacking Netzarim, a Jewish settlement in central Gaza, with mortars.

But Palestinian Justice Minister Freih Abu Medein said Israel was guilty of war crimes.

"Israel is a state above the law."

He also disputed Israel's claim that Ayyad had ties to Hezbollah, the Lebanese guerrilla group. The killing of Ayyad marked the first time since December that Israel targeted a suspected Palestinian militant.

Barak said Tuesday that the policy would continue.

"It is a clear message to anyone who is planning to attack Israelis that they will not be able to do so with impunity," Barak said.

Bush: Technology to modernize

THE ASSOCIATED PRESS

NORFOLK, Va. — President Bush pledged Tuesday to modernize the military to face "the dangers of a new era," even if it means scaling back some older systems beloved by the Pentagon and members of Congress.

He called for a new generation of lighter, more mobile and sophisticated military devices that would harness new technologies.

"Our goal is to move beyond marginal improvements" in older weaponry, Bush said after visiting a joint U.S.-NATO command post on the nation's Eastern Seaboard and viewing an electronic naval battle simulation.

To those who might criticize his plans, Bush suggested they wait until Defense Secretary Donald Rumsfeld finished a top-to-bottom review of the military.

He did not suggest which weapons systems he might delay or seek to cancel to make room for new technology.

But later, aboard Air Force One, Bush told reporters, "We must do it. We've got some tough choices to make, but that's why you get elected."

Bush also promoted his proposal for a multibillion-dollar national missile defense shield that would protect not only the United States but allies from limited ballistic missile attack.

"The defenses we build must protect us all," he told an audience that included emissaries from 18 NATO partners.

European allies have been skeptical about such a system, which is strongly opposed by Russia and China.

"We must prepare our nations against the dangers of a new era," Bush said.

The visit was the second installment on Bush's three-day tour of U.S. military installations.

The president expressed anguish over the loss of life, both in an Army helicopter mishap Monday night on the Hawaiian island Oahu and of Japanese passengers on a fishing boat that was struck by a U.S. submarine just south of the island.

Bush led a silent prayer for the six killed and 11 injured in the crash of two Army Black Hawk helicopters.

"Just this morning, we were reminded of the risks of your duty and the sacrifices that you make," Bush said.

"The soldiers are my direct responsibility as commander in chief. I take the responsibility incredibly seriously."

"We need to be very judicious and careful about committing our troops," Bush said in his Air Force One remarks.

Through his campaign, and now as president, Bush has talked about committing defense dollars to fast-forwarding research and skipping to a new generation of weaponry and defense systems.

"On land, our heavy forces will be lighter. Our light forces will be more lethal," he said. "All will be easier to deploy and to sustain. In the air, we'll be able to strike across the world with pinpoint accuracy using both aircraft and unmanned systems. On the oceans, we'll connect information and weapons in new ways. ... In space, we'll protect our network of satellites."

El Salvador hit by earthquake, more lives lost

■ The country has been hit for the second time since January.

THE ASSOCIATED PRESS

SAN VICENTE, El Salvador — A powerful earthquake shook El Salvador Tuesday, toppling hundreds of buildings and killing at least 70 people in a country still mourning more than 800 who died in an even stronger quake exactly one month ago.

The quake flattened much of the heart of San Vicente, 35 miles east of San Salvador, and damaged most of the homes and buildings in four surrounding towns.

Government emergency put the national death toll at 70, with 200 injured and hundreds — perhaps thousands — left homeless.

The earthquake struck at 8:25 a.m. and was centered halfway between San Vicente and San Salvador. The U.S. Geological Survey measured its magnitude at 6.6, a strong quake but not as devastating as the 7.6 magnitude temblor that killed at least 844 people last month.

"It is true that this is another blow for El Salvador, but I call for tranquility. We have to be calm," President Francisco Flores told The Associated Press during a helicopter tour to assess the damage.

"There are dead here, and very many people have lost their houses," Flores said during a stop in San Vicente. He said the brunt of the damage was in a corridor between Ilopango, just east of San Salvador and San Vicente.

At least 12 adults and three children were killed in San Vicente, the regional army commander Col. Juan Armando Reyes told Flores.

He said half its houses were damaged, as well as 90 percent of the houses in the nearby towns of San Cayetano, Guadalupe, Verapaz and Texistepeque.

Landslides blocked several highways that were still being restored after the Jan. 13 quake, including the Panamerican Highway to Guatemala. Telephone service was patchy to much of the country, and San Salvador's airport also was briefly closed.

Radio station YSKL reported that two children died in the collapse of a school in Cojutepeque, 20 miles east of San Salvador, and that landslides had isolated many small villages.

Emergency officials said at least three people died when a grain silo collapsed in San Martin, about 10 miles east of the capital.

The government sent students home across the nation of 6 million people and evacuated most public buildings so they could be checked for damage.

In San Salvador, hospital patients' beds were lined up in the streets as administrators waited for officials to inspect the buildings.

A small aftershock hit as Flores toured the hospital in San Vicente, where hundreds of patients were sprawled on the floor or the grounds outside for lack of beds.

When the quake struck, thousands of people fled buildings and ran into the streets of San Salvador, a city jittery from more than 3,200 aftershocks of last month's quake — some as strong as magnitude 5.

"It's pretty obvious they're related," U.S. Geological Survey spokesman Butch Kinerney said of the two quakes.

The January earthquake killed at least 844 people, injured 4,723 and destroyed 278,000 houses. Hundreds more remain missing and are believed dead.

Weather

TODAY Snow
high 23, low 12

TOMORROW Cloudy
high 31, low 19

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Fax number: (402) 472-1761
World Wide Web: www.dailynb.com
The Daily Nebraskan (USPS 144-080) is published by the UNL Publications Board, 20 Nebraska Union, 1400 R St., Lincoln, NE 68588-0448, Monday through Friday during the academic year; weekly during the summer sessions. The public has access to the Publications Board.
Readers are encouraged to submit story ideas and comments to the Daily Nebraskan by calling (402) 472-2588. Subscriptions are \$60 for one year.
Postmaster: Send address changes to the Daily Nebraskan, 20 Nebraska Union, 1400 R St., Lincoln NE 68588-0448. Periodical postage paid at Lincoln, NE.
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