

Interest rate cut raises some concerns

■ The White House isn't giving an official response, but some think the half-point decrease should be more.

THE ASSOCIATED PRESS

WASHINGTON - The Federal Reserve slashed a key interest rate by a half point Tuesday, hoping to encourage Americans to spend and invest to revive a sluggish economy.

It marked the third time this year that the central bank cut interest rates, a move that lowers borrowing costs and aims to gin up demand, which eventually should boost economic growth. All three reductions were one-half point.

The Fed cut its target for the federal funds rate - the interest that banks charge each other on overnight loans - from 5.5 percent to 5.0 percent. That's the lowest since June 30, 1999, when the funds rate also stood at 5.0 percent.

The half-point cut disappointed Wall Street, which last week suffered through a huge sell-off as investors grew more pessimistic about economic prospects in the United States and its major trading partners. They were hoping for a three-quarter-point cut.

On Wall Street, stocks skidded, leaving the Dow Jones industrial average at its lowest level in two years. The Dow lost 238.35 points to close at 9,720.76. The last time the Dow closed lower was March 24, 1999, when it dropped 154.90 to 9,666.84. The Nasdaq composite index tumbled 93.72 points to 1,857.46, a closing low not seen since November 1998.

The Fed attributed the economy's weakness in part to production cutbacks at factories in the face of flagging demand.

"Excess productive capacity has emerged recently. The possibility that this excess could continue for some time and the potential for weakness in global economic conditions suggest substantial risks that demand and production could remain soft," the Fed said in a statement, explaining its decision to cut rates again

Tuesday.

With the Fed offering a list of concerns about the economy and the next scheduled meeting not until May 15, some economists believe the odds are high that the central bank may cut rates again before then.

"That all suggests that the door is open to an inter-meeting cut if any of those downside economic risks become of more concern," said Allen Sinai, chief economist at Decision Economics.

The decision came after a closed-door meeting of the Fed's chief policy-making group, the Federal Open Market Committee. The panel includes Fed Chairman Alan Greenspan, Fed governors and five of the 12 presidents of Federal Reserve banks.

The White House declined to comment on the Fed's decision to cut rates by a half point, rather than a bolder, three-quarters point. Spokesman Ari Fleischer said: "The White House does not engage in any such speculation on the action of the Fed."

Sen. Charles Grassley, R-Iowa, who chairs the Senate Finance Committee, however, was disappointed.

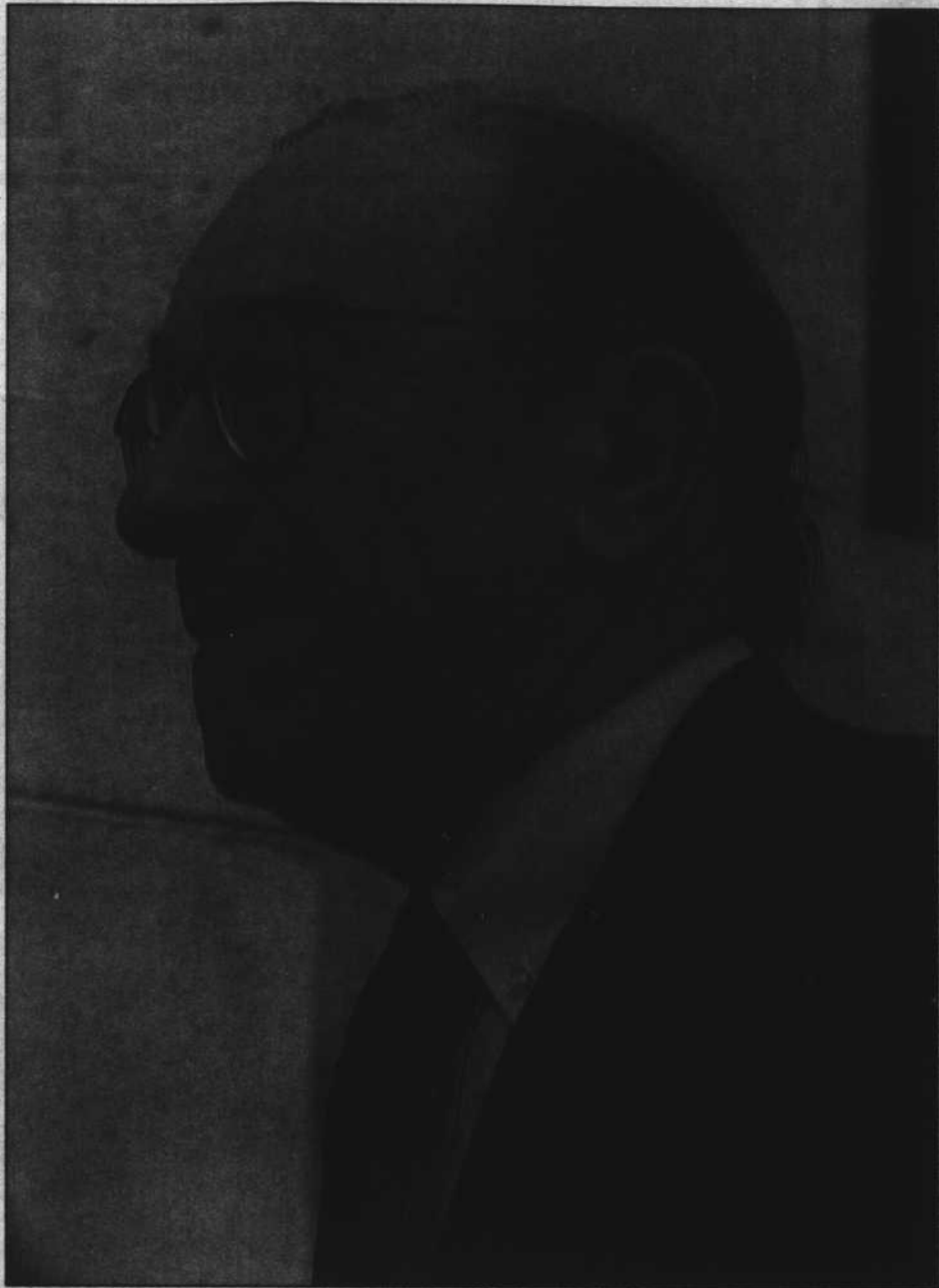
"It should have been more," he said.

But National Association of Manufacturers President Jerry Jasinski, whose industry is bearing the brunt of the economic slowdown, called the half-point cut a "very helpful step toward bringing the economy out of troubled waters."

The Fed's half-point decrease in the funds rate was quickly followed by an announcement from Bank of America that it was reducing its prime lending rate by a half point, to 8 percent, effective Wednesday. Other commercial banks were expected to do the same.

The prime rate is the key benchmark for millions of loans, from home equity and unpaid credit cards balances to short-term loans for small businesses.

The central bank also reduced its symbolic discount rate, the interest that the Fed charges to make direct loans to banks, by a half point to 4.50 percent.



Federal Reserve Chairman Alan Greenspan arrives at the Federal Reserve Building on Tuesday in Washington, D.C. The Federal Reserve cut interest rates for the third time this year.

Mark Wilson/Newsmax

World/Nation

The Associated Press

■ New York Dow Jones feels repercussions of half-point interest rate cut

Investors disappointed by the Federal Reserve's latest interest rate cut turned their fury on Wall Street yet again Tuesday, sending prices skidding lower and leaving the Dow Jones industrials at their lowest level in two years.

Many investors had hoped the Fed would lower rates by an aggressive three-quarter-point cut, but when the central bank announced in mid-afternoon it was lowering rates by one-half point for the third time this year, prices began to slide.

Analysts called the market's mood about as grim as the litany of profit warnings that have pulled Wall Street's major indexes into bear market territory.

"Negative psychology is increasing and confidence is eroding," said Alan Ackerman, executive vice president of Fahnstock & Co. "It is fair to say, with prices drifting downward, everything appears to be for sale from Main Street to Wall Street."

■ Michigan Eminem divorces, receives joint custody of daughter

MOUNT CLEMENS - Rap superstar Eminem has reached a divorce agreement with his wife that gives them joint custody of their 5-year-old daughter.

The couple worked out a temporary divorce agreement last week that also gives Eminem their \$450,000 home, the rapper's lawyer said. His wife, Kim Mathers, would receive \$475,000 in cash to purchase a house.

The couple agreed to joint legal and physical custody of their daughter, Hailie Jade.

Eminem pleaded guilty last month to carrying a concealed weapon, a charge that stemmed from a fight last summer outside a Macomb County bar. He is scheduled for an April 10 sentencing.

■ Washington Bush proposes tax-cut plan, budget to businesswomen

With his wife and female Cabinet secretaries standing behind him, President Bush honored Women's History Month on Tuesday by telling women executives his budget and tax cut proposals "will help highlight the American dream" of business ownership.

"This is a realistic plan. It's a plan that meets needs," Bush said to nearly 100 female chief executive officers in the White House East Room - a place, first lady Laura Bush noted, where first lady Abigail Adams once hung the family laundry to dry.

Bush said lowering the highest individual tax rate from 39.6 percent to 33 percent, as he has proposed, would encourage growth of small businesses, especially those owned by women.

"You all can help by explaining clearly to people that reducing the top rate will help with job creation and capital formation and, as importantly, will help highlight the American dream," Bush said. "And that is, you can own your own business, that ownership is not limited to just a few."

■ Brazil Sea shifts cause large oil rig to break, sink into Atlantic

RIO DE JANEIRO - One of the world's biggest oil rigs sank in the South Atlantic on Tuesday, and the state oil company Petrobras warned that more than 300,000 gallons of diesel fuel on board was likely to spill.

The 40-story-tall rig, crippled and listing after an explosion last week, "shifted suddenly" in heavy seas 75 miles off the coast early Tuesday morning, the company said.

Workers who had been trying to save it gave up and fled. At about 10:30 a.m., the rig tipped over and went down in about 10 minutes. Film footage showed the platform descending until only the green heliport was visible above the waves. Then it went under, as oil workers, many sobbing, looked on from a nearby ship.

Rebels given ultimatum

THE ASSOCIATED PRESS

TETOVO, Macedonia - Government artillery pounded the hills outside Tetovo on Tuesday, as the military issued an ultimatum to ethnic Albanian rebels, giving them 24 hours to end their insurgency or face an all-out assault.

The army said it was joining police and special anti-terror units for the first time in a planned push to drive out the guerrillas holed up around Macedonia's second largest city. It effectively rejected a call by rebels earlier in the day for negotiations to end four weeks of fighting.

"We are using all available means that we have here," said army spokesman Blagoje Markovski.

The artillery fire lasted several hours before stopping in the evening. The army said it would suspend its assault to give the guerrillas 24 hours to either surrender or leave the country.

During that time, government troops will refrain from action, though they will respond to guerrilla attacks, the army said in a statement read on national television. If the ultimatum was ignored, the military would resume the battle after midnight Wednesday. The army guns went silent Tuesday evening.

The army's entrance into the fray sig-

naled Macedonia's intention to snuff out the insurgency that NATO has feared could destabilize the country - where ethnic Albanians make up at least a quarter of the population - and lead to a wider Balkan conflict.

The rebels say they are a home-grown movement fighting for greater ethnic Albanian rights in Macedonia. But the government claims they are linked to fighters across the border in Kosovo and aim to break off northern Macedonia to form an independent ethnic Albanian state.

Government tanks on Monday moved into Tetovo - a largely ethnic Albanian city at the center of recent fighting - and NATO peacekeepers in control of Kosovo pledged to "starve" the rebels by cutting supply lines across the border.

Amid the government barrage Tuesday, an armored personnel carrier parked at a Tetovo intersection blasted shots from its turret-mounted gun at farmhouses tucked on the hillside north of Tetovo. Each hit set off flames glowing through windows. No one returned fire.

Hours before the assault, the guerrillas offered negotiations with the government but vowed continued fighting if it refused.

Warm weather forces more rolling blackouts

THE ASSOCIATED PRESS

LOS ANGELES - State power managers ordered rolling blackouts across California for a second straight day Tuesday, cutting off hundreds of thousands of homes and businesses as demand for electricity again exceeded supply.

The same factors that collided to strap California's power supply on Monday hit again, officials with the Independent System Operator said. Those include reduced electricity imports from the Pacific Northwest, numerous power plants offline for repairs and less power provided by cash-strapped alternative-energy plants.

Demand was higher than expected because of warm spring weather. Temperatures were higher than normal across California on Monday, including the 80s and low 90s in Southern California. They were expected to be somewhat lower Tuesday but still in the 70s and 80s.

A two-unit Southern California plant that the ISO hoped would be working Tuesday had not been fixed.

The ISO said rolling blackouts were possible through the evening, though a power plant being restored to full service was expected to ease the situation slightly.

The ISO, which oversees much of the state power grid, ordered utilities to cut power to enough residential and business customers to save 500 megawatts in the first 90-minute wave of rolling outages, enough electricity for about 375,000 households.

It reduced that to about 300 megawatts in a second wave.

The order affected Pacific Gas & Electric, which serves much of central and northern California including San Francisco, and Southern California Edison. The latter utility cut power in parts of El Monte, Rancho Mirage, Long Beach and Santa Monica.

San Diego Gas & Electric was also ordered to cut power but details on the number of customers affected were not immediately available. About 3,000 customers in the Sacramento Municipal Utility District had their power cut.

Skipper calls mistakes 'honest'

■ Commander Scott Waddle took the stand after the Navy rejected his request for immunity.

THE ASSOCIATED PRESS

PEARL HARBOR, Hawaii - By turns apologetic and defensive, the skipper of a submarine that sank a Japanese trawler took the stand Tuesday, blaming errors by himself and his crew for the accident.

"These mistakes were honest and well-intentioned," said Cmdr. Scott Waddle, who testified as the Navy court of inquiry neared an end.

Waddle's sworn testimony was a surprise because his attorney had indicated he would not testify without immunity, which the Navy rejected.

Waddle said he asked for immunity "in the event the international and political environment dictated that I be sacrificed to an unwarranted court-martial."

While criticizing the Navy's decision, he said he decided it was imperative he speak.

"This court and the families need to hear from me," he said, turning to face some of the victims' relatives. The

wives of two of those killed brushed away tears as Waddle spoke.

Waddle's boat, the USS Greeneville, smashed into the Japanese fishing vessel Ehime Maru while demonstrating a rapid-surfacing drill for 16 civilians. Nine people, including four teenage boys, were killed.

Waddle said he was "truly sorry for the loss of life and the incalculable grief."

"As commanding officer, I am solely responsible for this truly tragic accident, and for the rest of my life, I will live with the horrible consequences of my decisions and actions that resulted in the loss of the Ehime Maru," he said.

But he also told the three admirals presiding over the court, "I was trying my best to do the job that I was assigned" and appeared to shift some of the blame to his crew for failing to provide sufficient backup.

The inquiry has focused on whether Waddle rushed preparations for surfacing and whether he performed an inadequate periscope search before taking the Greeneville up.

Waddle disputed earlier testimony that he ran an informal - if not lax - ship.

"I was not informal," he insisted.

One by one he answered the criticisms leveled at him and his command over the last two weeks. Under questioning from Rear

Adm. David Stone, Waddle said that much of what happened on Feb. 9 fell short of his own command standards and that he was unaware of the problems until the inquiry.

For example, Waddle said he didn't know that nine of 13 watch stations were not manned by the originally designated crewmen and that one sonar station was watched by a trainee rather than a qualified crew member.

Waddle said he assumes those crewmen took it upon themselves to swap stations and relieve their colleagues.

"That, to me, does not meet this standard of yours," Stone said, referring to Waddle's command credo of "safety, efficiency and backup." Stone said it indicated a "loose organization."

"It was not effective planning. I don't refute that," Waddle admitted, noting that commanding officers often rely on their subordinates to ensure scheduling is done properly.

"It's obvious that the plan was not efficient because the plan didn't work," he said.

Waddle said he was surprised to learn trainees had been working alone in the sonar room for the two years he commanded Greeneville and that it took "a horrible, tragic accident" to raise the issue.

"Well, captain, it was your boat," interjected Vice Adm. John Nathman, the inquiry's presiding officer.

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