

World and Nation

Economy takes surprise upswing

From Associated Press reports
WASHINGTON, D.C. — The weather isn't the only thing behaving strangely this winter. The economy has been topsy-turvy as well.

In just two months, December and January, many economists went from predicting an impending economic decline to believing that the longest peacetime expansion in history has found another of its nine lives.

The new general consensus of moderate economic growth this year is likely to be an important element in Federal Reserve Chairman Alan Greenspan's testimony before Congress Tuesday when he reveals the Fed's policy targets for 1990. These targets will have a major influence on interest rates and economic growth.

Greenspan could be excused for expressing a certain amount of perplexity about recent events.

In December, the economic outlook was as bleak as the unusually cold weather. Housing construction plunged; Christmas sales were lackluster, and the overall economy — as measured by

the gross national product — turned in its worst showing in years.

All that gloom prompted recession worries as economists feared the impending demise of the 7-year-old economic recovery, an expansion that has already lasted almost five times longer than usual.

But in January, the weather warmed and so did the economy.

Housing construction soared 29.6 percent, the biggest monthly increase on record. Retail sales rebounded, largely on the strength of a pickup in auto demand, and the economy produced 275,000 new jobs, almost triple the December increase.

The good news chased away the recession forecasts. Some analysts now look for 3 percent annual growth in the January-March quarter, six times the pace from October through December.

"The economy is doing a lot better than a lot of people thought it would," said Michael Evans, head of a Washington forecasting firm. "Everything we have seen so far this year has been strong."

Part of the rebound is almost certainly weather-related. The warmest January on record spurred business activity, which had been depressed in December.

But Evans and many of his colleagues believe that, even taking account of January's weather, the economy is staging a modest revival from the depressed fourth quarter.

Greenspan, in an unusually candid comment, said that the chance of a recession had diminished markedly since last spring and that the fourth quarter's sluggish growth was likely to prove only a "temporary hesitation."

Economists believe Greenspan will restate those views Tuesday and are not looking for any immediate credit easing on the part of the central bank, especially in light of current inflationary pressures.

In January, wholesale prices surged upward at an annual rate of more than 24 percent, the fastest clip since the oil shock of the early 1970s. Analysts are

expecting a similarly worrisome increase in January's consumer prices, which will be released Wednesday.

While the inflation spike can be explained by temporary factors such as the December freeze, which drove food prices higher, economists said the Fed would still find the pace too troublesome to ignore.

"The Fed does not want to be perceived as easing at a time when inflation is accelerating, even if those inflationary pressures were considered to be temporary," said David Jones, chief economist at Lanston & Co., a government securities dealer.

That could set up a potential clash with the Bush administration, which has been complaining over the last year that the Greenspan-led Fed has not been aggressive enough in pushing interest rates down to spur economic growth.

In addition to releasing the Fed's 1990 targets for growth of the money supply, which influences interest rates, Greenspan will also reveal the Fed's economic forecast for the year.

Israeli foreign minister wary about German unification

From Associated Press reports
JERUSALEM — Foreign Minister Moshe Arens has caused a storm with his cautious embrace of German reunification. Cabinet ministers demand he be rebuked and newspaper editorials accuse him of fostering "a Fourth Reich."

Prime Minister Yitzhak Shamir remained silent Monday in a continuing debate that illustrates the dilemma posed for Israel by the prospect of a reunited Germany.

Israeli leaders cannot afford to alienate West Germany, the staunchest supporter of the Jewish state in the European Community, but they also must consider the emotions of the many Israelis whose relatives were among the 6 million Jews killed by the Nazis.

"We are still pondering the consequences" of reunification, senior Shamir aide Avi Pazner said on Monday.

"The prime minister has concerns about such a possibility, but has not taken a stand opposing it."

Czech leader meets with Bush

WASHINGTON — Vaclav Havel, the dissident playwright who went from prison to the presidency of Czechoslovakia inside of eight months, was to meet with President Bush on Tuesday, the first of Eastern Europe's new democratic leaders to visit the White House.

Havel was arriving here Monday evening after stops in Iceland and Canada on a Western trip that comes conspicuously a week before his first trip to Moscow.

The Czech Parliament elected Havel president Dec. 29, a few weeks

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after a peaceful revolution led to the ouster of Communist Party chief Milos Jakes and his hard-line government.

Now the country, under Havel's caretaker government, is preparing for June 8 parliamentary elections that will be its first free balloting in more than 40 years.

Board sues over Channel One

RALEIGH — The State Board of Education decided Monday to sue the producers of Channel One and the Thomasville City School Board.

After a one-hour closed session Monday, the state board said a contract between Whittle Communications, based in Knoxville, Tenn., and the Thomasville board is unconstitutional and violates state regulations.

Thomasville signed up for the 12-minute broadcast news show after the state board decided to ban new Channel One sign ups. Board members said they opposed having an outside company being responsible for that much school time.

In a related action Monday, the board changed its ban on Channel One to make it retroactive. The board originally said that school systems that had already agreed to take the service prior to the ban could keep it for the length of the contract. But the board today removed that clause from its regulation, saying Channel One won't be allowed in any state schools.

The lawsuit was filed in Wake County by the state Attorney General's Office.

Auschwitz to be site of interfaith center

From Associated Press reports

WARSAW, Poland — A cornerstone was laid Monday for a prayer center that officials hope will end the long-festering dispute over a Roman Catholic convent at the Auschwitz death camp.

Also Monday, Edgar Bronfman, president of the World Jewish Congress, met with President Wojciech Jaruzelski and Prime Minister Tadeusz Mazowiecki and declared later: "There are no outstanding problems between the Jewish people and Poland."

The convent, housing about a dozen Carmelite nuns on the edge of the Nazi death camp, has angered Jews and others worldwide who see it as an intrusion of Christian symbols at a site where most of the victims were Jews.

The Roman Catholic church agreed at negotiations in 1987 in Switzerland to relocate the nuns to an interfaith prayer and education center farther from the camp, but a February 1989 deadline for moving the nuns was missed.

After Polish church officials balked last year at fulfilling the agreement, the

Vatican intervened in September and upheld the decision. The new Solidarity-led government of Mazowiecki also has worked to speed up construction of the new center.

Cardinal Franciszek Macharski of Krakow, whose archdiocese has jurisdiction over the site near the southern Polish city of Oswiecim, presided at the cornerstone-laying ceremony.

Mazowiecki, meeting in Warsaw with Bronfman, said his government's support of the project was illustrated by the presence at the ceremony of Jacek Ambroziak, head of the Office of the Council of Ministers and the prime minister's close aide.

Bronfman called the laying of the cornerstone "very important."

Citing the prayer center construction, Poland's plans to launch full diplomatic relations with Israel next week and the government's pledge to fight anti-Semitism, Bronfman said outside Mazowiecki's office. "There are no outstanding problems between the Jewish people and Poland."

But Bronfman said he did not know exactly when the interfaith center would be completed and the nuns moved.

"I don't think deadlines are useful. It creates a kind of emotionalism that I think is not good, so I did not press for an absolute deadline. The spirit was, as soon as possible."

He also expressed concern at what he called "a resurgence of anti-Semitism in Poland."

This "is part, I suppose, of the price of democracy," Bronfman said. "If you are free to do anything else, you are free

also to not like people."

But he said the government's stance against anti-Semitism is "very clear."

"I express the intention of the Polish government in all matters relating to Polish-Jewish relations to arrange them successfully and to remove all frictions," said Mazowiecki, in a brief statement after the meeting.

"We are thoroughly opposed to any form of anti-Semitism and we believe that ... it should be counteracted by every means."

Defense Secretary Cheney threatens retreat of troops from Filipino bases

From Associated Press reports

MANILA, Philippines — Defense Secretary Dick Cheney, shunned by Philippine President Corason Aquino, told Filipino officials Monday that the United States will abandon its bases there if it finds that keeping them is too expensive or that Americans are unwelcome.

As violence was reported in several clashes between leftist protesters and police near U.S. installations, Cheney met for nearly three hours with Defense Minister Fidel Ramos in discussions that were described as "very cordial, very forthright."

Meeting reporters afterward with Ramos, Cheney said the United States "will stay only as long as the Philippine

people wish it to stay — and only if the terms negotiated are acceptable to both parties."

At issue in Monday's discussions was a \$96 million cut Congress made in the Bush administration's request of \$360 million to compensate the Philippines for the six bases, which include two of the United States' largest overseas installations, Clark Air Base and Subic Bay Naval Base.

"We recognize there is a shortfall of \$96 million over what we had anticipated," Cheney said.

"I also pointed out that in East Asia, in this part of the world, the United States provided a little over \$600 million, and about \$500 million of that comes specifically to the Philippines."

Cheney has said his discussions with Filipino officials did not amount to the beginning of negotiations to extend the base agreement, which expires next year.

An influential Filipino minority is pressuring Aquino not to renew the agreement. In addition, leading Filipino congressmen have urged her to postpone those discussions until this year's cuts are restored. Aquino was so upset over the congressional cut that

she announced before Cheney began his two-week tour of Asian nations hosting U.S. bases that she would not see him, leaving that task to her defense minister.

The secretary pledged his "best efforts" to restoring the \$96 million cut but U.S. diplomats have said that an austerity-minded Congress is unlikely to change its mind.

Despite the current differences, Cheney said that ties between the two nations are strong.

"I think that is a misreading of events to suggest that somehow, the United States is trying to send signals other than the one I have already given publicly, which is our very strong commitment to our alliance with the Philippines," the secretary said.

When asked whether he could say that his government wanted the base to remain, Ramos declined to answer the question, saying the issue was under discussion in the Philippine Congress.

In Manila, about 200 members of the militant League of Filipino Students, chanting "Yankees go home," marched to the U.S. Embassy and hurled bottles and rotten tomatoes at police, who charged with clubs and tear gas.

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