

GDP posts slight rise to end 2002

By Jeannine Aversa
THE BATTALION

The economy faltered in the final quarter of last year as consumers — nervous about a war with Iraq and their own job prospects and stock portfolios — turned cautious and increased their spending by the smallest amount in nearly a decade.

Gross domestic product rose at an annual rate of just 0.7 percent in the fourth quarter, a dramatic slowdown from the previous quarter's solid 4 percent growth rate and ending 2002 on a sour note, the Commerce Department reported Thursday.

GDP measures the total value of goods and services produced within the United States and is considered the broadest barometer of the economy's health.

"One quarter we're soaring, the next we're flat on our back. That was the story of 2002," said Joel Naroff, president of Naroff Economic Advisors.

The performance — weaker than analysts were predicting — gave the fourth quarter the distinction of being the worst quarter for GDP in 2002. It also marked the weakest showing since the economy actually shrank at a 0.3 percent rate in the third quarter of 2001 as the country was mired in its first recession in a decade.

While the report highlighted the economy's struggles to get back on sure footing, economists didn't view the tepid fourth quarter performance as a sign that economy was going to backslide into recession.

In fact, analysts believe the economy is picking up momentum in the current quarter, expanding at a rate of 2.5 percent to 3 percent.

"If the Iraq situation is resolved quickly and favorably, there's a good chance of unlocking the economy's potential and removing the uncertainty hanging over consumers and businesses," said Lynn Reaser, chief economist at Banc of America Capital Management.

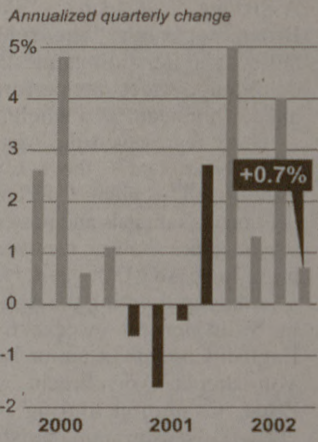
For all of 2002, the economy grew by a decent 2.4 percent, a big improvement over the tiny 0.3 percent rise registered in 2001, but still considered weaker-than-normal growth for the U.S. economy.

President Bush, who doesn't want economic woes to linger as he prepares for his 2004 re-election bid, has proposed a 10-year, \$674 billion economic stimulus plan — all but \$4 billion involving tax cuts. Democrats have their own, smaller-scale plans.

Commerce Secretary Don Evans said the GDP report underscores the need for Congress to enact the president's plan and shows "that our nation's economy is not yet growing at its fullest potential."

GDP

Here is a look at the gross domestic product, which measures all goods and services produced by workers and capital located in the United States, regardless of ownership.



SOURCE: Department of Commerce AP

But Democrats argued that the president's plan would do little to help the economy in the short term but would put the plunge the federal budget into even more red ink.

"This is a collision course with fiscal calamity and the administration seems to be digging the hole deeper at every turn, adding tax cut on top of tax cut, not offset by spending reductions," said Sen. Kent Conrad, D-N.D.

The Federal Reserve decided

Wednesday to hold a key interest rate at a 41-year low of 1.25 percent, hoping that will spur consumers and businesses to spend and invest more, bolstering economic growth.

At the Fed's meeting in December, policy-makers unveiled his stimulus package to help the fragile economy.

"Added fiscal stimulus might prove to be a useful complement to an accommodative monetary policy in the period immediately ahead when economic activity was likely to remain below the economy's potential," according to minutes of the Dec. 10 meeting released Thursday.

The Fed opted to hold rates steady at that meeting, which took place weeks before Bush unveiled his stimulus package.

Consumers — the main force keeping the economy going — got tired in the fourth quarter. They increased their spending during the period at only a 0.1 percent rate, the worst showing since the first quarter of 1991 and down from a brisk 4.2 percent growth rate in 2002's third quarter.

The weakness reflected a sharp 7.3 percent cut in spending on durable goods, such as cars and appliances. That was a big turnaround from the astounding 22.8 percent rate of increase in the third quarter, which marked the largest reduction in spending on durable goods since the first quarter of 1991.

Mueller says new FBI computer systems would not have missed Sept. 11 key terrorist clues

By Curt Anderson
THE ASSOCIATED PRESS

WASHINGTON (AP) — FBI Director Robert Mueller defended a new agency computer system that congressional critics claim is costly and "gold-plated," saying Thursday it might have provided important clues to the Sept. 11 attacks if it had been in place.

Lost amid all the intelligence data before the attacks was a memo from an FBI field agent in Phoenix raising questions about suspected terrorists taking flight training in the United States. The new computer system would see that such a memo got to the proper people, FBI officials said.

"To be successful, we have to share information in new ways," Mueller told reporters in a two-hour briefing about the system. "I believe we have made substantial

strides in a number of key areas."

Mueller also said the FBI is preparing a comprehensive, classified "national threat assessment" for Congress about the nation's vulnerability to another attack and that the FBI supports President Bush's proposal to create a new intelligence analysis center.

The briefing, held in the FBI's Strategic Information Operations Center, was the latest step in a public relations campaign by Mueller to keep counterterrorism and domestic intelligence authority with the FBI. Some in Congress, pointing to past FBI missteps, want to create a new domestic intelligence agency independent of the FBI.

Mueller has made counterterrorism the

FBI's top priority. Crucial to that effort,

said, is a multibillion-dollar overhaul of the agency's computer system known as "Trilogy," which ensures that all agents and analysts with the proper security clearances have access to critical information widely.

The FBI's goal is to have much of that system online by March 31 with a "virtual case file" terrorism database containing tens of millions of documents — and offering modern search and cross-referencing capabilities — to be finished by December, said Wilson Lowery, the FBI executive assistant director for administration.

The computer system in place before Sept. 11, 2001, was completed

"To be successful, we have to share information in new ways."

— Robert Mueller
FBI Director

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NEWS IN BRIEF

Democrats slow Snow's approval

WASHINGTON (AP) — Democratic senators fighting proposed government changes in pension rules forced a delay Thursday in the confirmation of railroad executive John Snow as treasury secretary.

Snow's nomination won unanimous approval from the Senate Finance Committee on Thursday morning, but quick confirmation by the full Senate was delayed while he met with lawmakers on the pension dispute.

Snow, the chairman of CSX

Corp., was nominated for the job last month after President Bush fired his first treasury secretary, Paul O'Neill, in a shakeup of his economic team.

The pension issue involves a dispute over "cash balance" pensions, which large companies are adopting to save money. While the plans penalize older workers.

Democratic senators said they wanted to discuss the matter with Snow before a Senate vote. They are seeking a commitment from Snow that the final Treasury rule would protect the rights of older workers.

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