

Originally Processed With FOIA(s):
2009-0166-S

FOIA Number:
2009-0166-S

FOIA MARKER

**This is not a textual record. This is used as an
administrative marker by the George Bush Presidential
Library Staff.**

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Office of the President
Series: Daily Files
Subseries:

OA/ID Number: 90568
Folder ID Number: 90568-008

Folder Title:
Friday, November 9, 1990

Stack:	Row:	Section:	Shelf:	Position:
V	12	12	3	6

Withdrawal/Redaction Sheet (George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Log	White House Telephone Log [Signal Switchboard] [redaction of personal information] (1 pp.)	11/09/90	(b)(6)	

Page 1 of 1

Collection:

Record Group: Bush Presidential Records

Office: Office of the President

Series: Daily Files

Subseries:

WHORM Cat.:

File Location: Friday, November 9, 1990

Pinksheet Number: dw1879

OA/ID Number: 90568-008

Date Closed: 1/12/2011

FOIA/Sys Case #: 2009-0166-S

Re-review Case #:

P-2/P-5 Review Case #:

THE WHITE HOUSE
WASHINGTON

Date: 11/8/90

TO: President's Daily Files (11/9/90)

FROM: MAJ. BRUCE CAUGHMAN
The President's Aide

Economic Policy Meeting at Camp David 10:00 am 11/9/90

Meeting participants:

The President

Vice President

Gov Sununu

Sec Brady

Dick Darman

Michael Boskin

Withdrawal/Redaction Sheet

(George Bush Library)

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Collection:

Record Group: Bush Presidential Records
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File Location: Friday, November 9, 1990

Date Closed: 1/12/2011	OA/ID Number: 90568-008
FOIA/SYS Case #: 2009-0166-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE
WASHINGTON

TELEPHONE MEMORANDUM

SIGNAL SWITCHBOARD

November 9, 1990

	TIME		NAME	ACTION
	PLACED	DISC		
OUT	7:43 AM	7:48	Ms. Dorothy LeBlond (b)(6)	Tlkd-ok 7:45 AM
INC	PM			
OUT	8:36 AM	8:44	General Brent Scowcroft Office, Washington, D.C. 456-2255	Tlkd-ok 8:38 AM
XNC	PM			
OUT	8:47 AM	8:50	Mrs. Barbara Bush Aspen Lodge, Camp David, Maryland Camp David Signal 4-1617	Tlkd-ok 8:48 AM
XNC	PM			
OUT	9:28 AM	9:35	General Brent Scowcroft Office, Washington, D.C. White House Signal 2-2260	Tlkd-ok 9:29 AM
XNC	PM			
OUT	AM		LCDR Wayne Justice Elm Cabin, Camp David, Maryland Camp David Signal 4-1236	Tlkd-ok 3:18 PM
XNC	3:16 PM	3:19		
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			

THE WHITE HOUSE

WASHINGTON

TELEPHONE MEMORANDUM

PRESIDENT BUSH

NOVEMBER 9th , 1990

	TIME		NAME	ACTION
	PLACED	DISC		
OUT	AM		NO CALLS	
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
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OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			
OUT	AM			
INC	PM			

PRESIDENTIAL MOVEMENTS

LOCATION Camp David, Maryland

DATE 9 November 1990

TIME

MOVEMENTS

[illegible]

Friday Follies

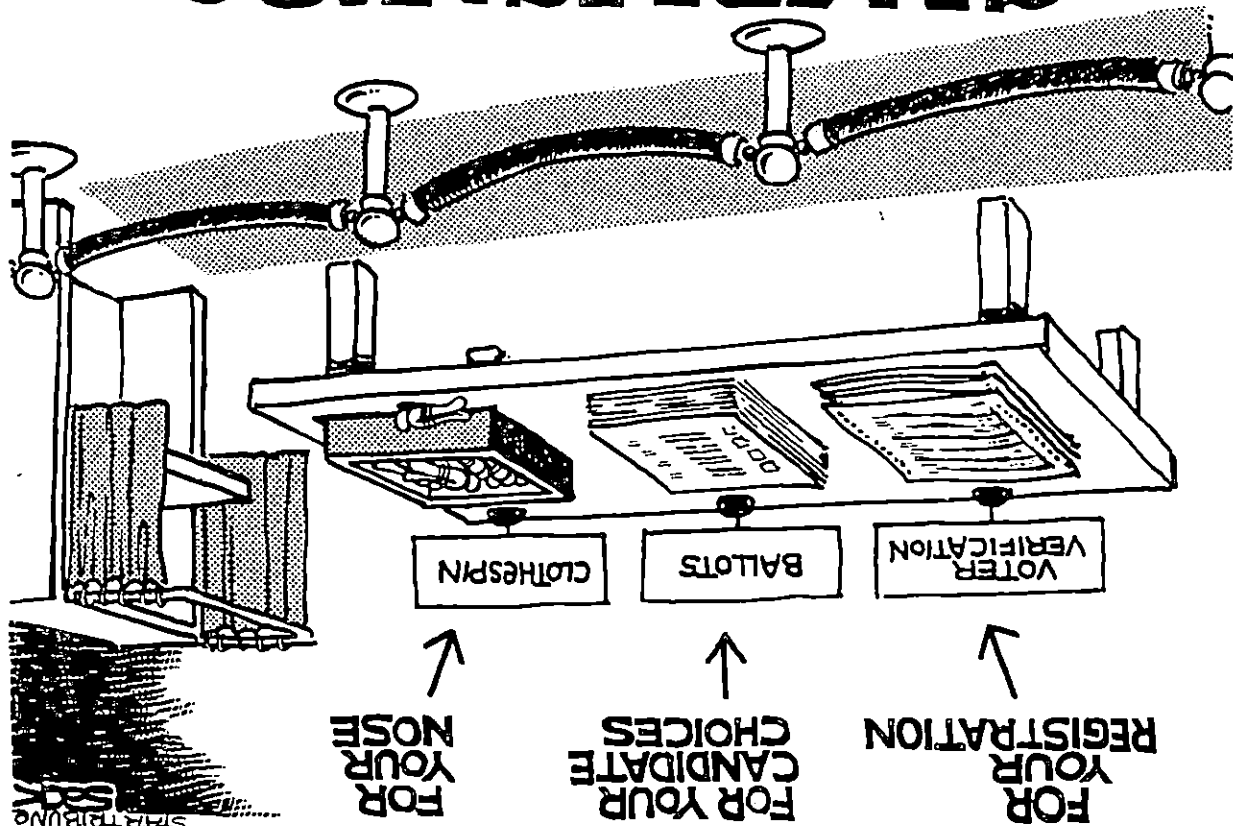


- a look at politics through the eyes of the political cartoonist -

"I don't care a straw for your newspaper articles. My constituents don't know how to read. But they can't help seeing them damned pictures."
(William Marcy Tweed speaking of Thomas Nast, 1871)

WHITE HOUSE NEWS SUMMARY SPECIAL EDITION
VOLUME II ISSUE 44 -- Nov. 9, 1990

CAMPAIGN '90





STAYSKAL
90 TAMPA
TRIBUNE

"IT SAYS, 'HELP! I'M MARDOONED ON A DESERT ISLAND... PLEASE RESCUE ME WHEN THE ELECTION CAMPAIGNING IS OVER!'"

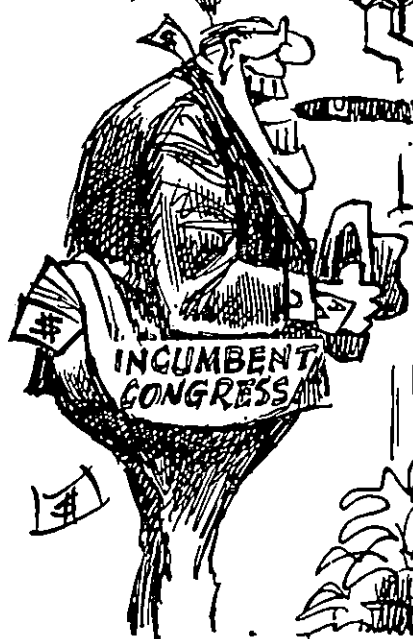
You know what's wrong
with this country? Politicians
who aren't responsible!
But don't blame me -

I didn't vote.



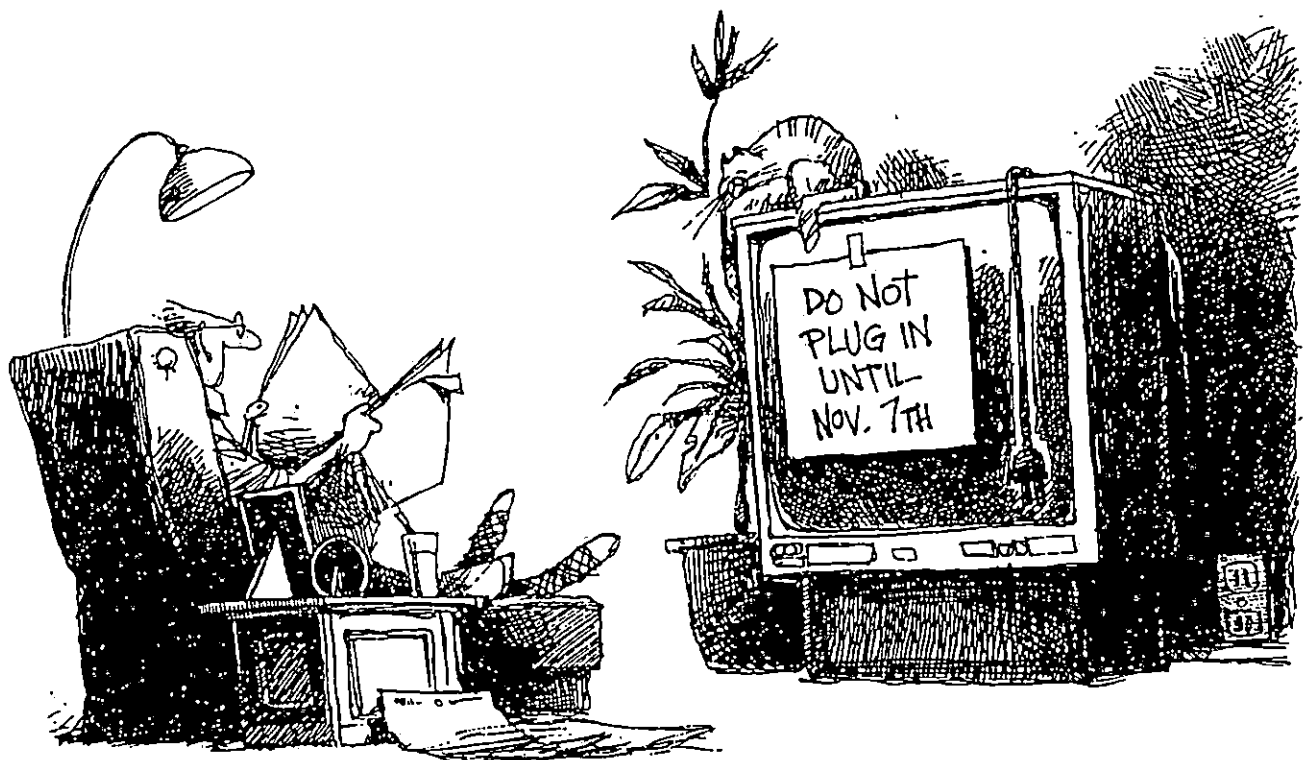
Mike Luckovich
ATLANTA CONSTITUTION

I JUST
DROPPED BY
TO SAY
THANKS FOR
NOT VOTING



WASHINGTON
TIMES
90

OFF SAN FRANCISCO EXAMINER VIEW



HOW POLITICAL ADS ON TV CAN MAKE YOU AN INFORMED VOTER..

**POLLING
PLACE**

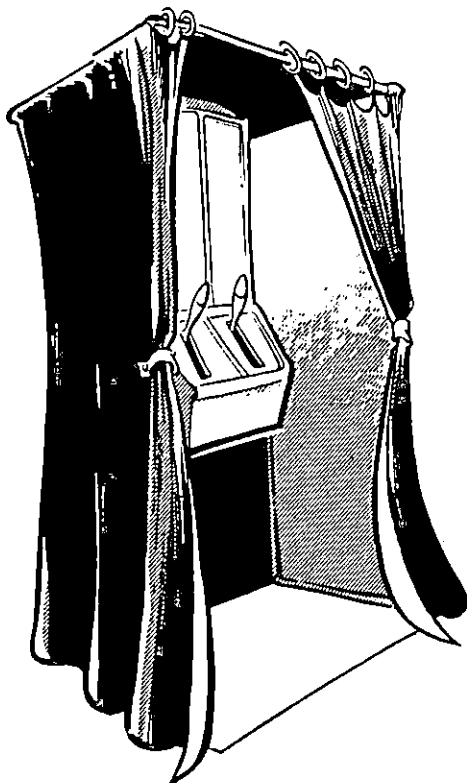
← VOTE

ANOTHER UNDECIDED
PARALYZED IN
THE BOOTH

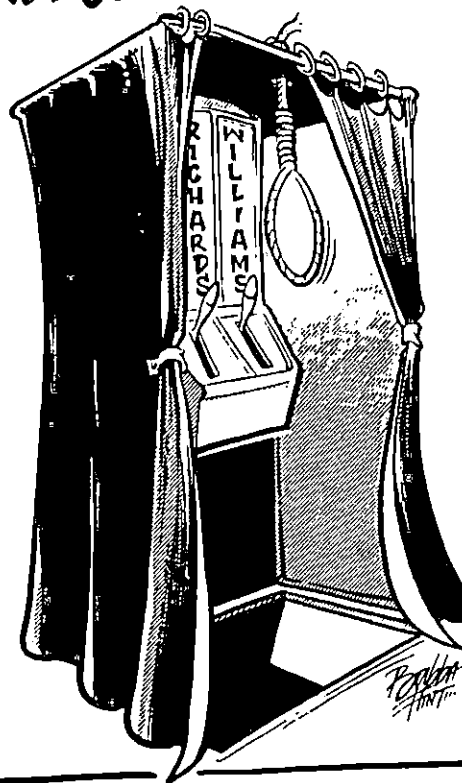


WASSERMAN
© 1990 BOSTON GLOBE
DIST. BY L.A. TIMES SYND.

STANDARD BOOTH



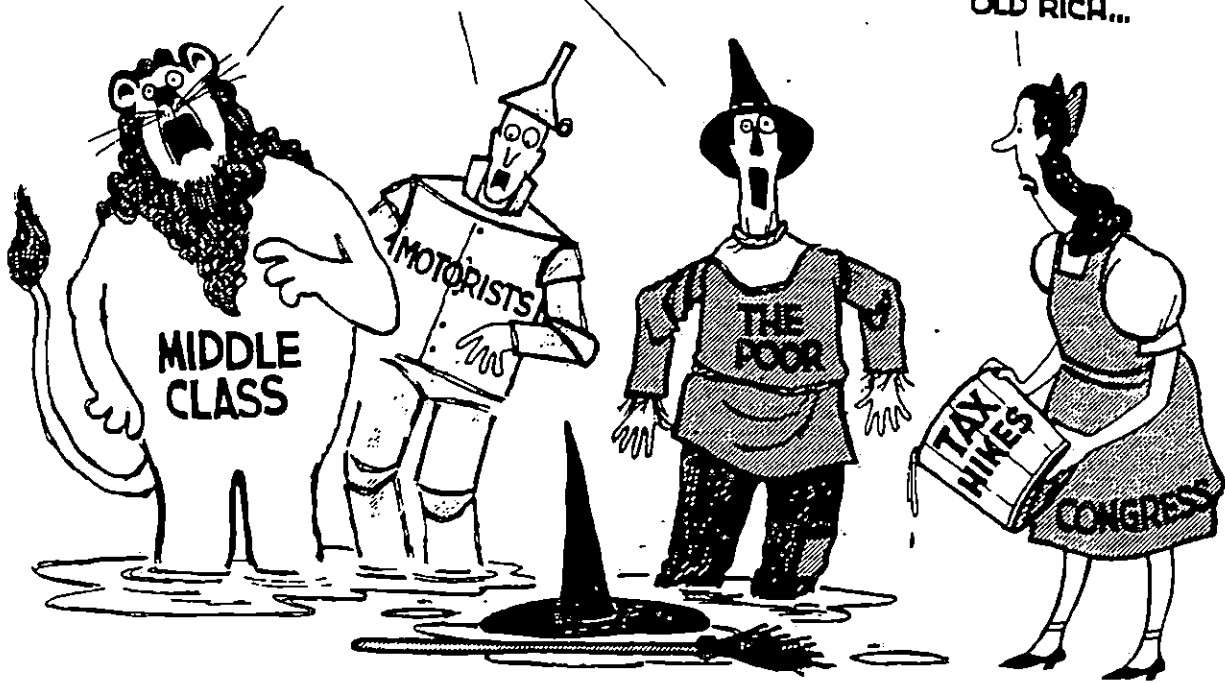
REVISED 1990 BOOTH...



**AHHH!!
WE'RE ALL
MELTING!**

© 1990 SAN DIEGO UNION-TRIBUNE
COPYRIGHTED BY THE SERVICE
SKELLY

BUT
I ONLY
MEANT TO SOAK
THE WICKED
OLD RICH...

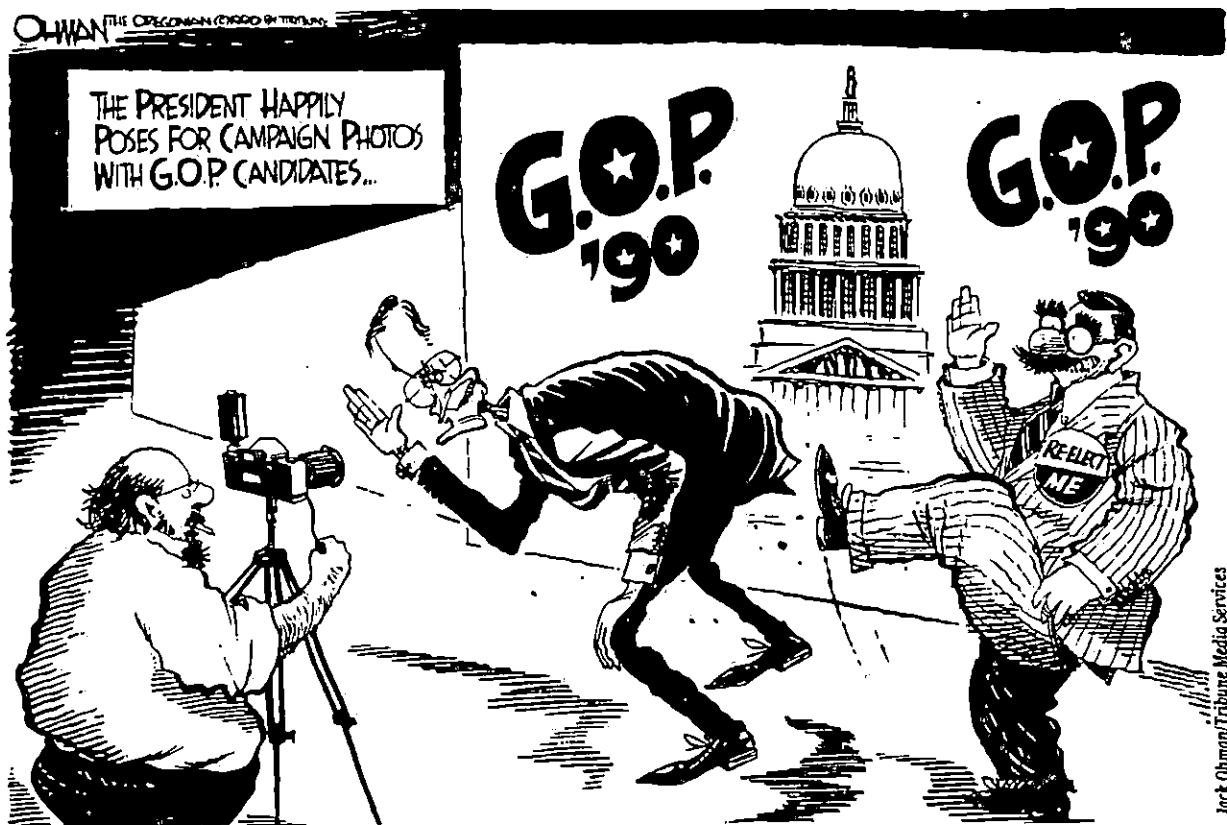
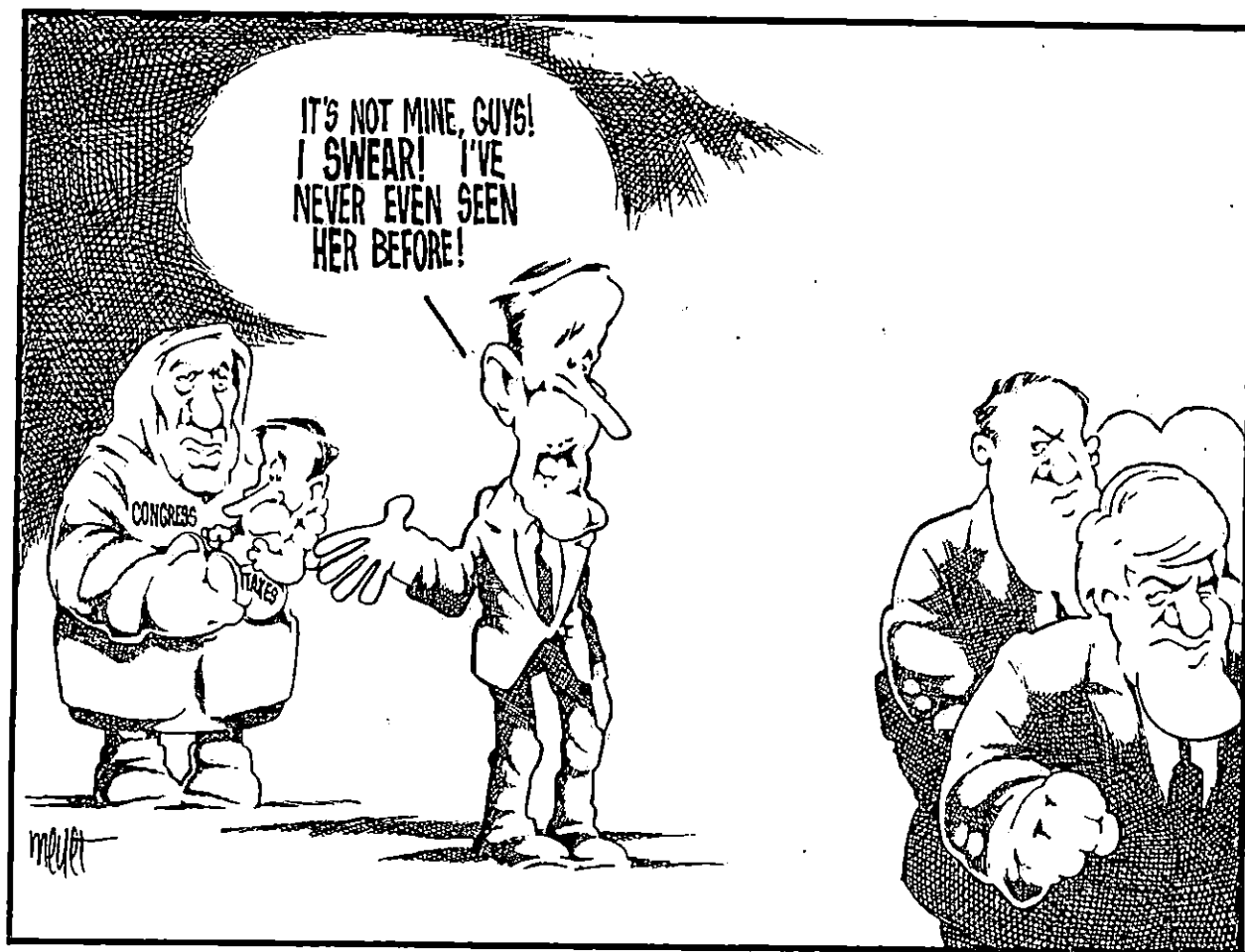


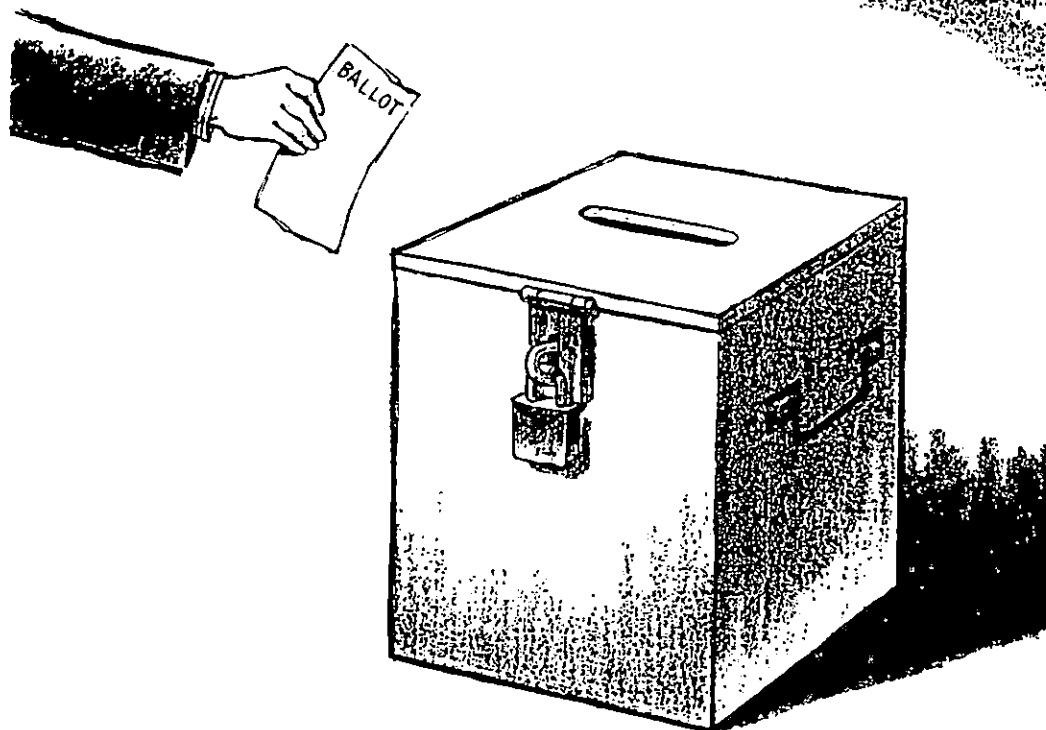
CHARLES KEATING
WAS FILTHY RICH!
WE WERE ONLY
SOAKING HIM!...

...HONEST!



Victor
OKME
COURT





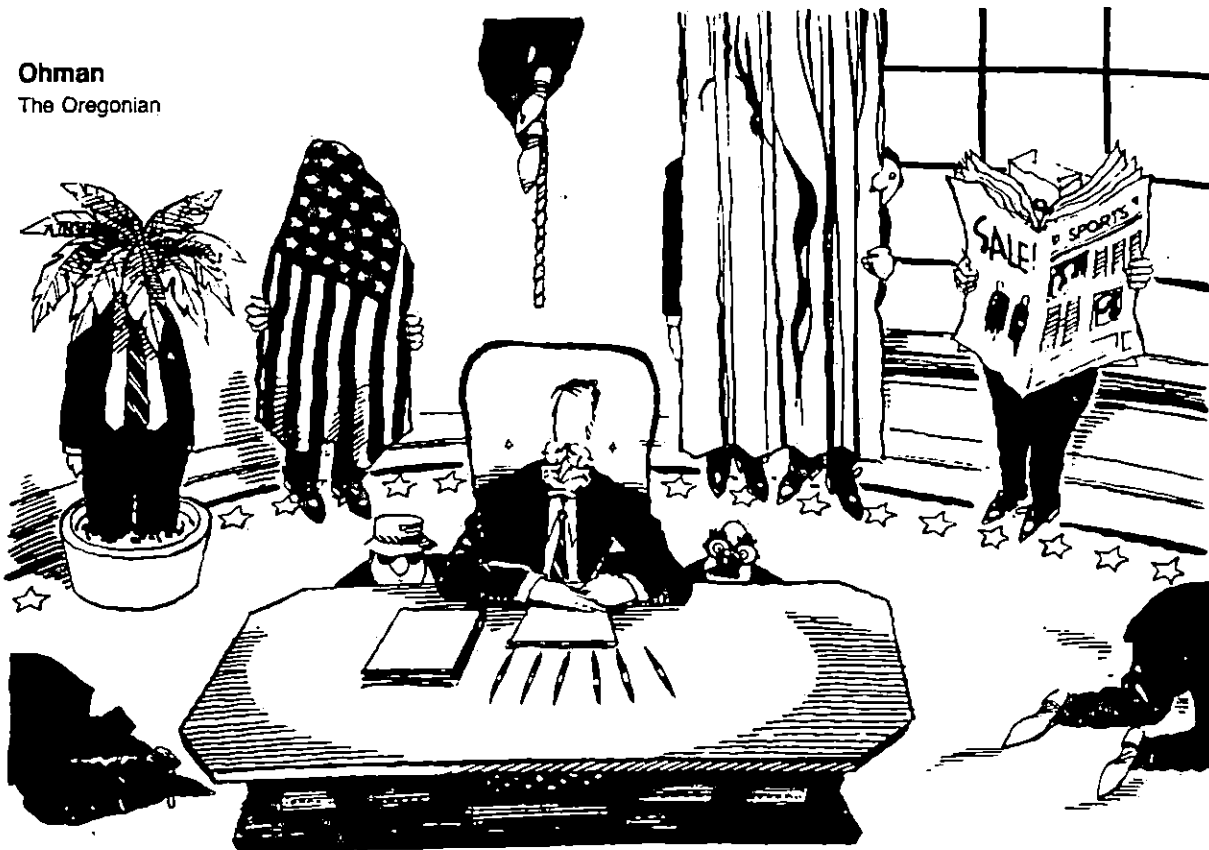
ENGELHARDT
© 1990 ST. LOUIS POST-DISPATCH

Instant Term-Limitation Device
(No cumbersome constitutional amendments required)

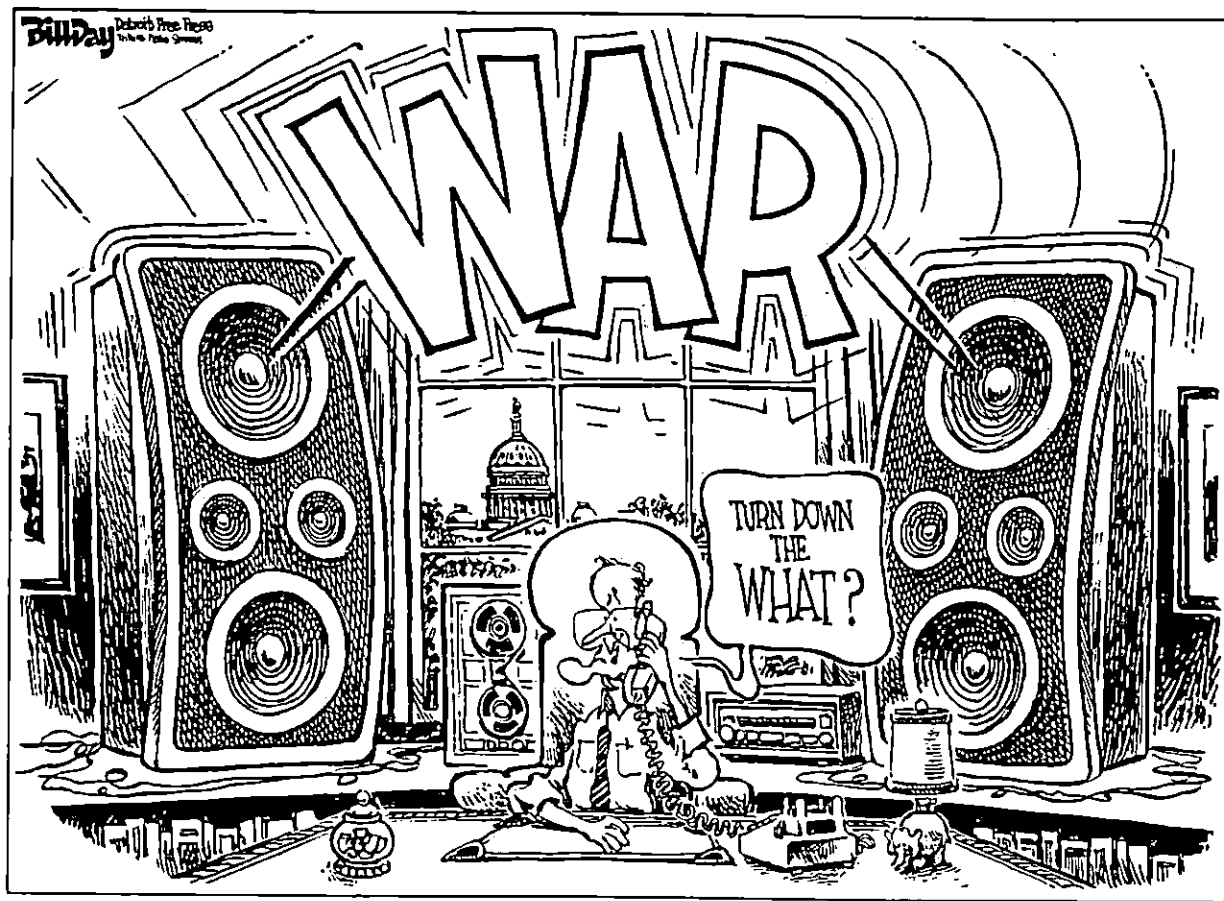


George Bush considers crossing the Delaware

Ohman
The Oregonian



The president signs the budget bill as GOP congressmen look on ...



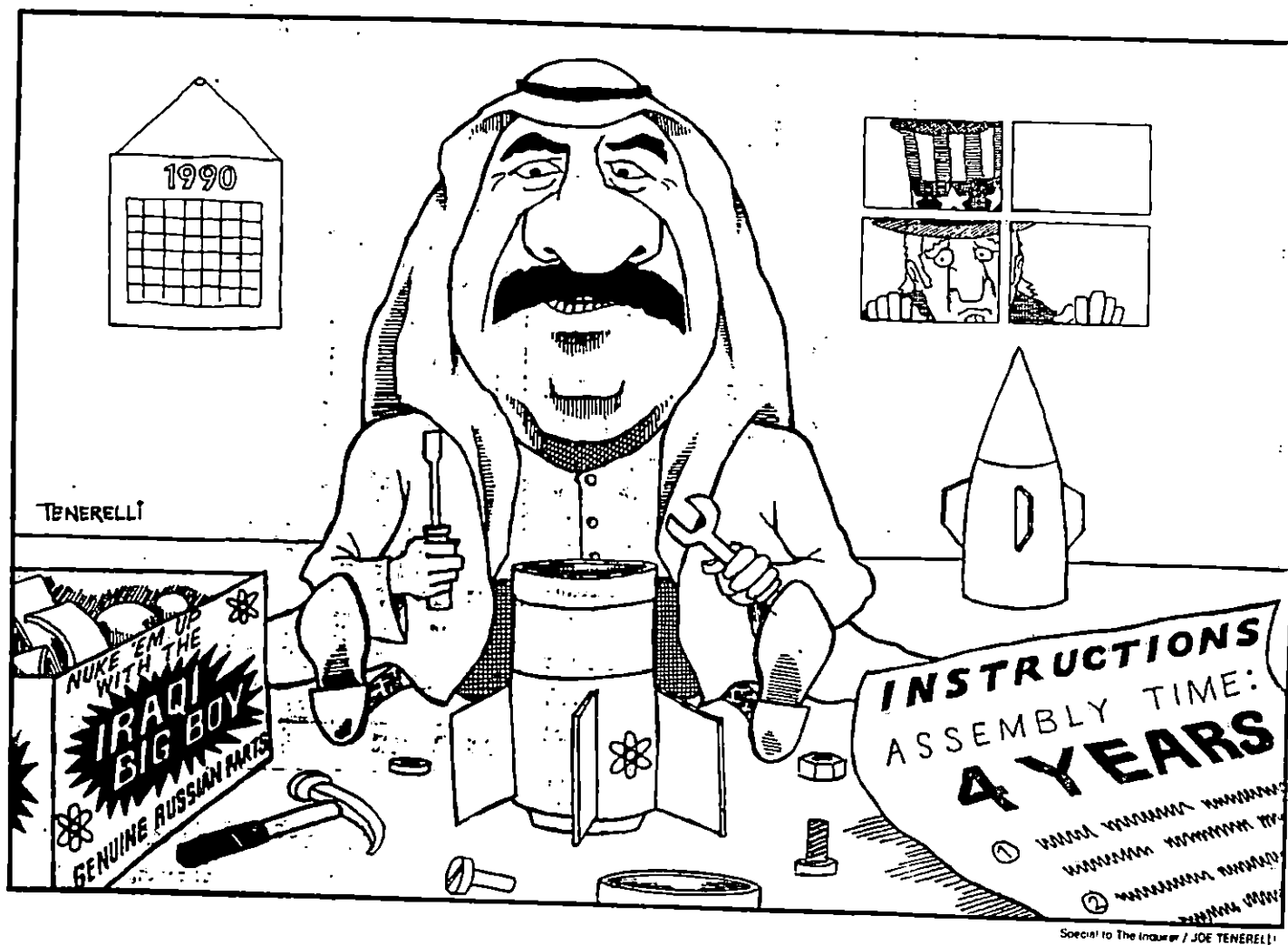


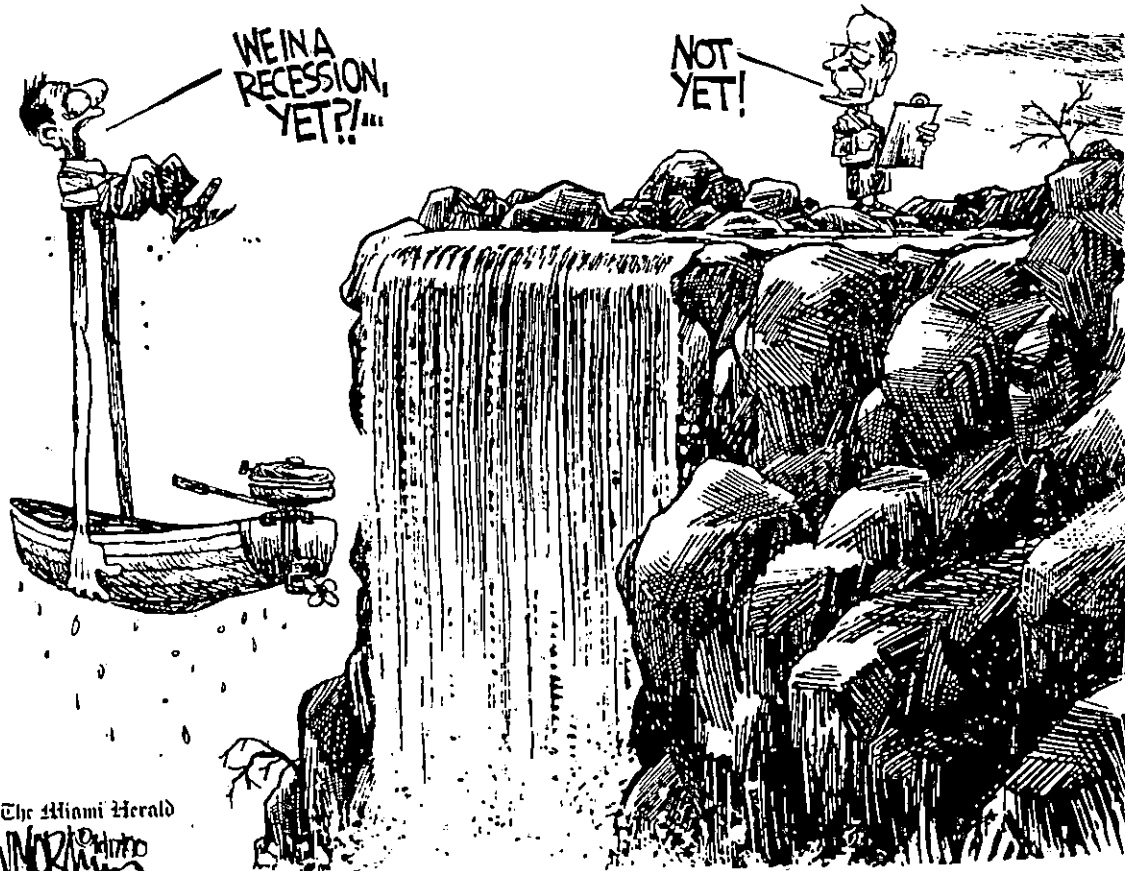


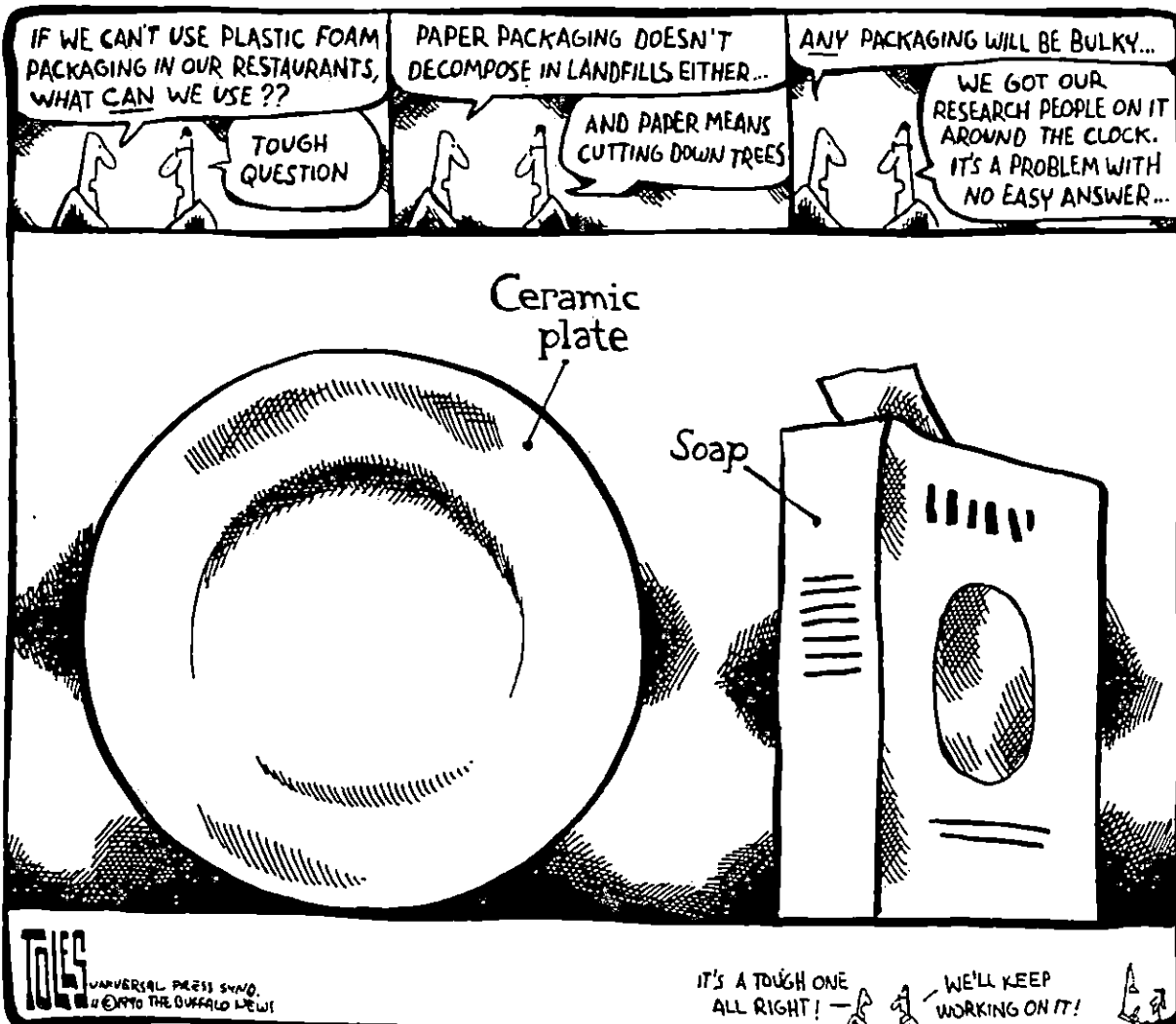
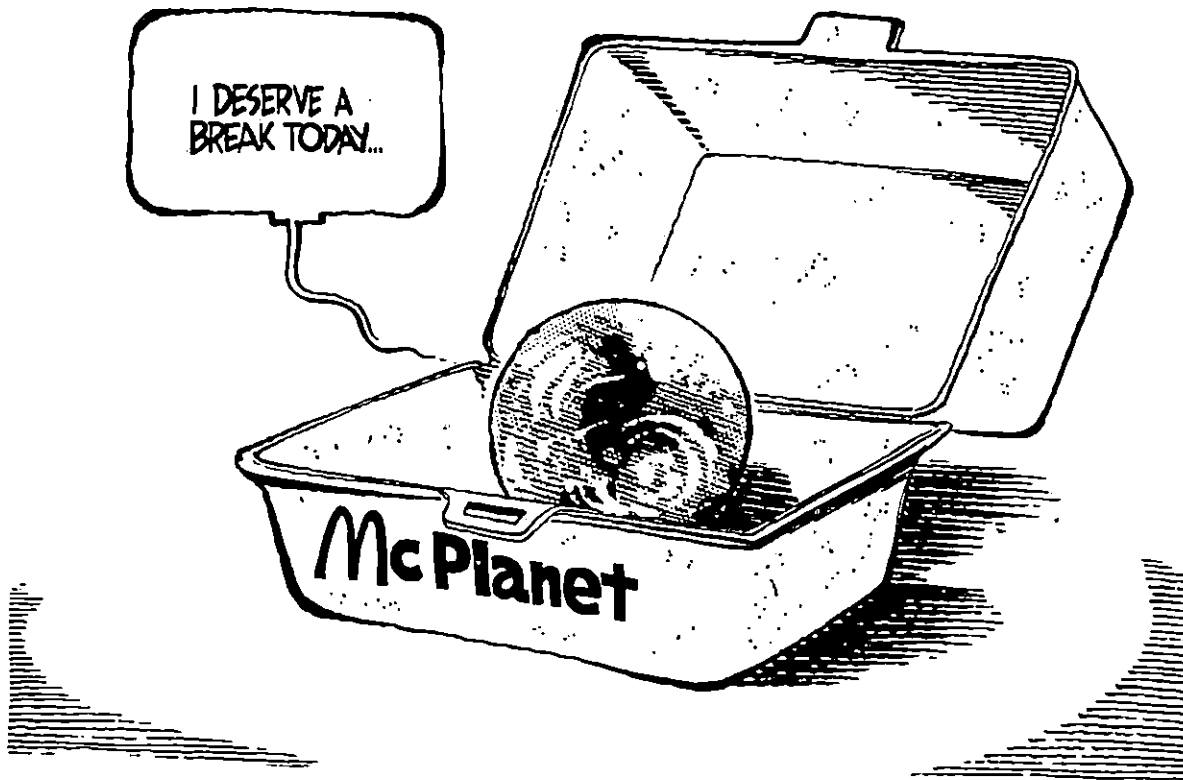
HIS LIPS NOW STUFFED AND MOUNTED ON THE WHITE HOUSE WALL, PRESIDENT BUSH HAS TROUBLE CONVEYING HIS RESOLVE TO MR. HUSSEIN.

**Saddam Says Prophet Mohammed Appeared
In A Dream To Say Invasion Of Kuwait
Was A Mistake! (It Was!)**









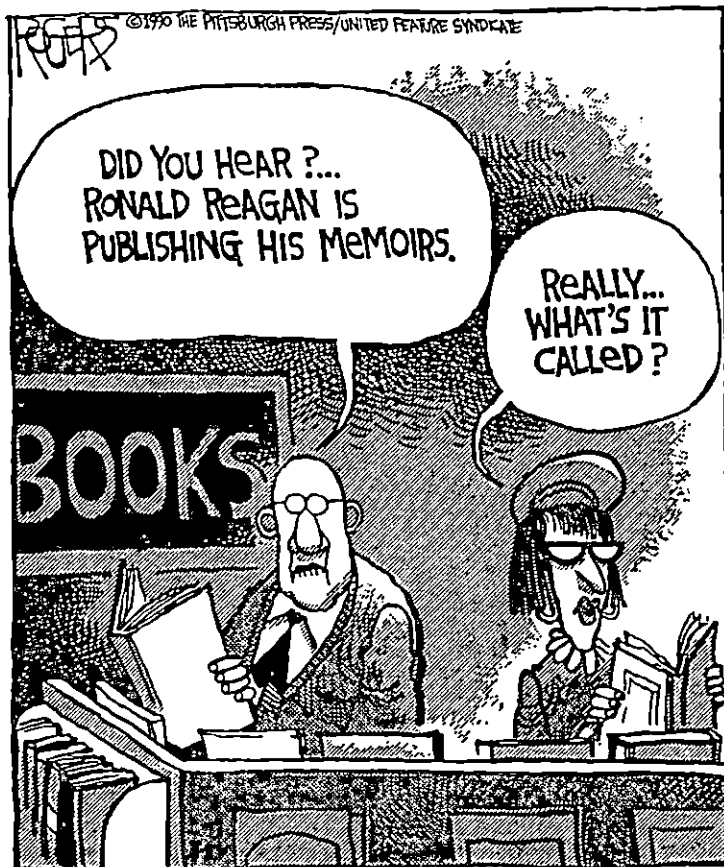
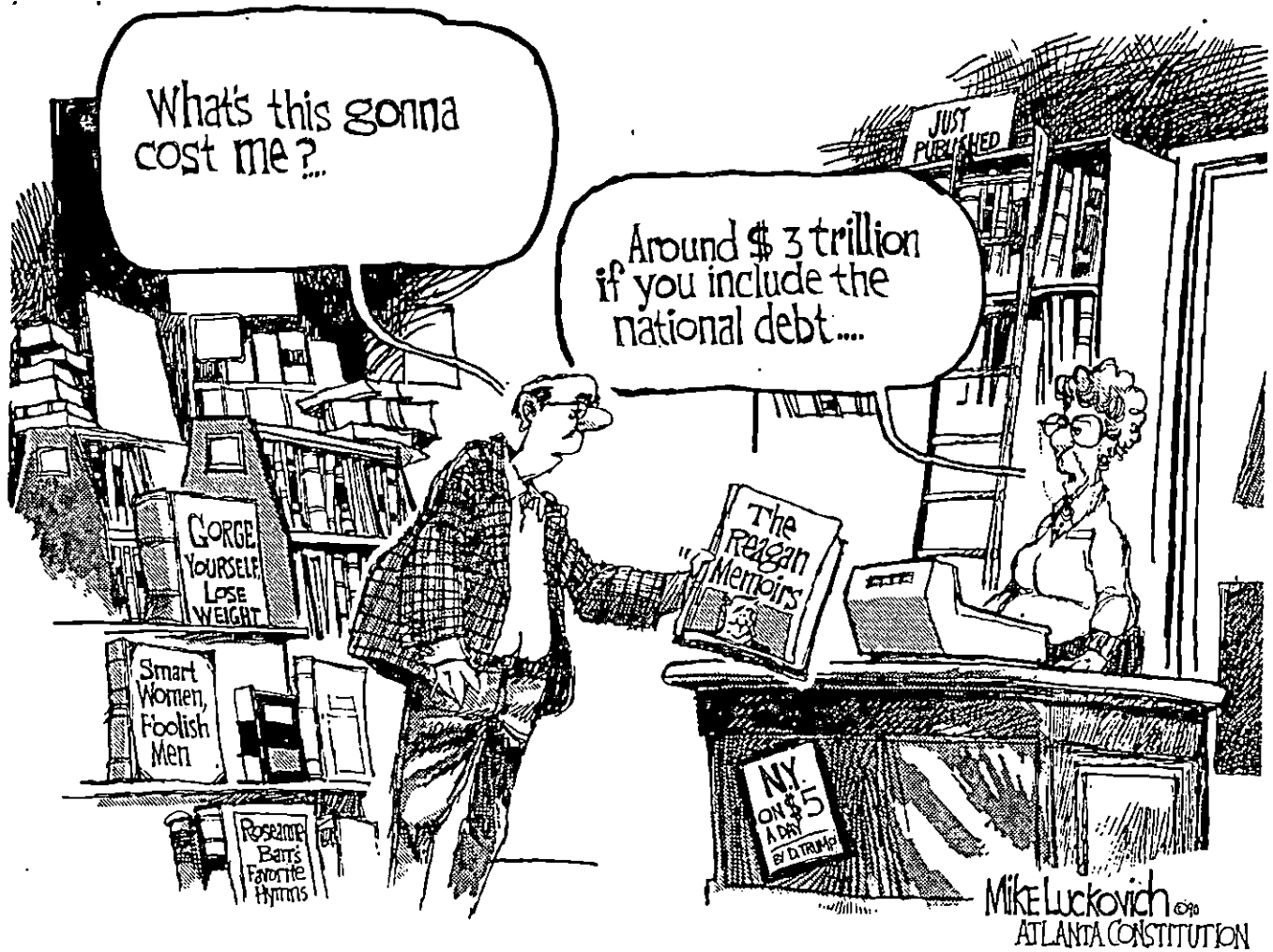
THE NINE HUNDRED POUND GORILLAS
AT THE GLOBAL WARMING CONFERENCE

ALL THOSE
OPPOSED TO
ACTION...

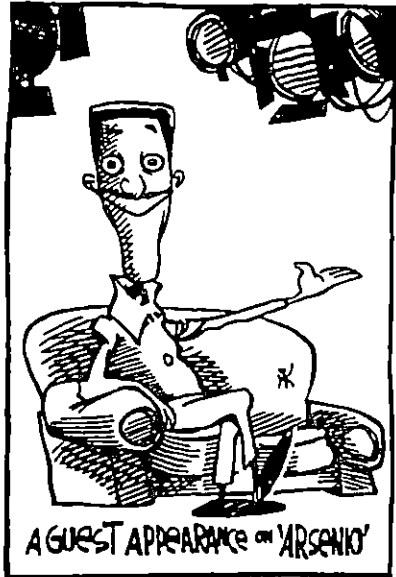


WHY IS IT EVERY
TIME THEY RUN OUT OF
OTHER PEOPLE TO TAX,
THEY PICK ON
THE RICH?

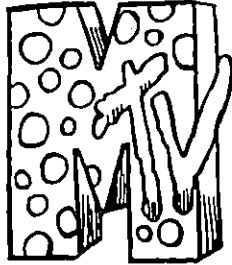




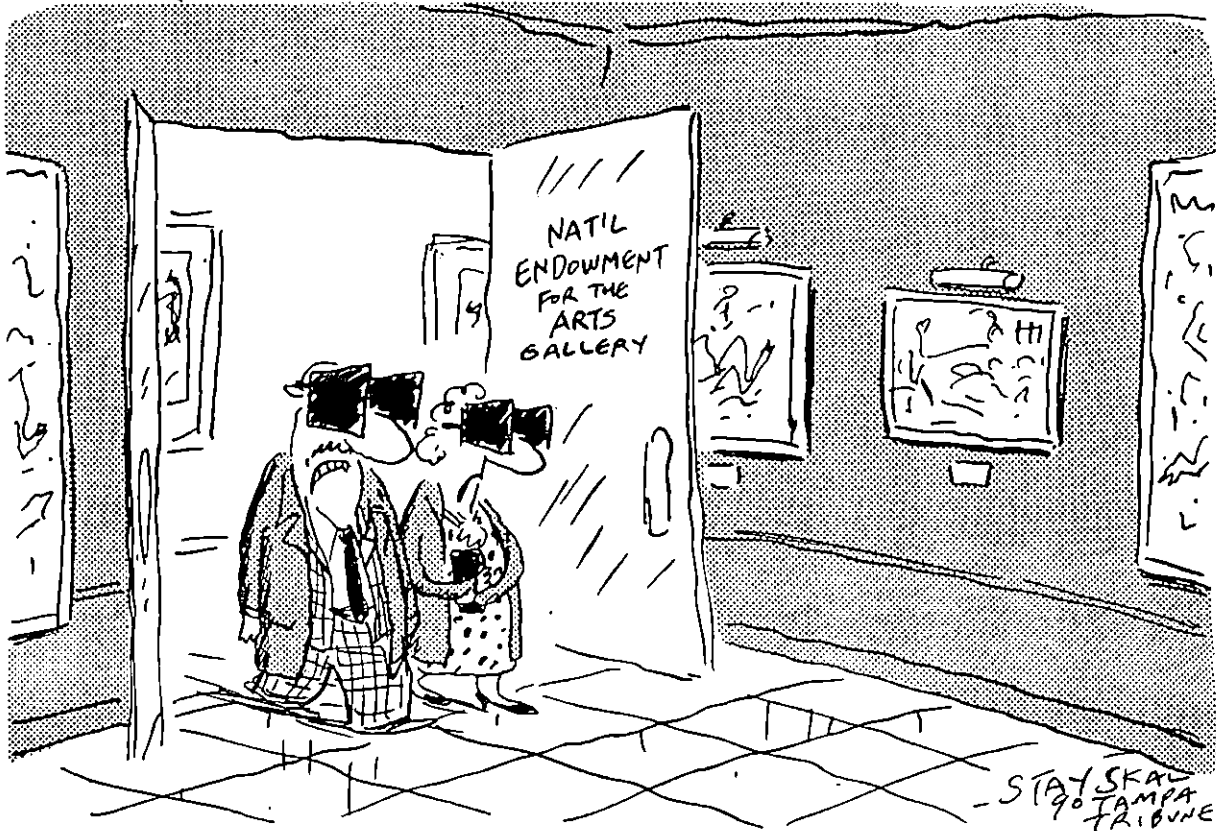
HOW TO GUARANTEE BIG RECORD SALES...



A VIDEO ON...



STAHLER 6-8
© 1988 CINCINNATI POST 110



NEWS ITEM: THE NEA HAS QUIETLY DROPPED A REQUIREMENT THAT GRANT RECIPIENTS SIGN A NON-OBSCENITY PLEDGE.

HERALD TRIBUNE



Daily

THE WHITE HOUSE
WASHINGTON

DATE:

11-9-90

FROM THE PRESIDENT

TO:

CAMP DAVID MEETING ON ECONOMY

JOHN SUNUNU
NICK BRADY
DICK DARMAN.
DAN QUAYLE
GB.

10 am - 1.20 am

bpb joined us for lunch

Boskin, Brady, DQ.
T.E. + me

10 AM

11-9-

C. David

1) Boskin

2 qtrs neg growth = recession

We are ^{beginning to} in a recession
ytd gtr will be negative
1st q next yr - will be ".

2) Long discussion on oil prices
Speculation
Fear of SA shut down

3) Discussion of Banking System

Pressure for consolidation in banking system

We have 14,000+ banks
Japan has 87 "

Softer economy increases bank risks
and Biggest Banks might become insolvent
Lot of people think Bank System is Broken
Brady makes point Fed can fix it

2 main Problem
Fear (psychology) on M.E 0.1

liquidity

RTC circuit

S.L

Bank Solvency

Regulation -

European problem
N/P = P
"Weak leader"

Pol. + Offcl. W. 140
Is Ed strong enough

Plan to combat recession

Level with American People

Final off Govt Spending to cure it

Machinery —

From P. Comm

Regulators

Appointments

Book = 137

T-5.

System for taking

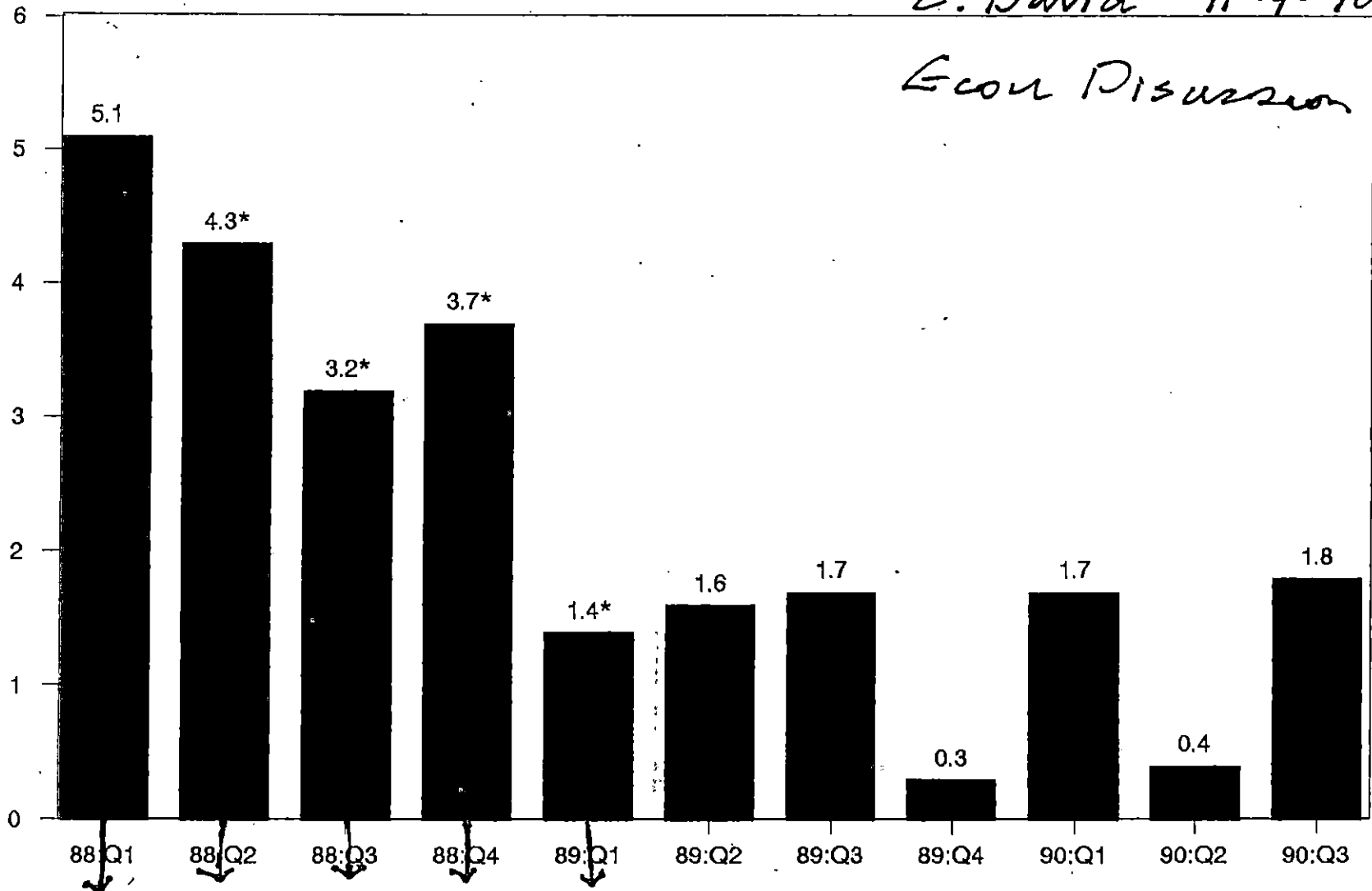
Real GNP.

P/
File

C. David 11-9-90

Econ Discussion

Percent (annual rate)

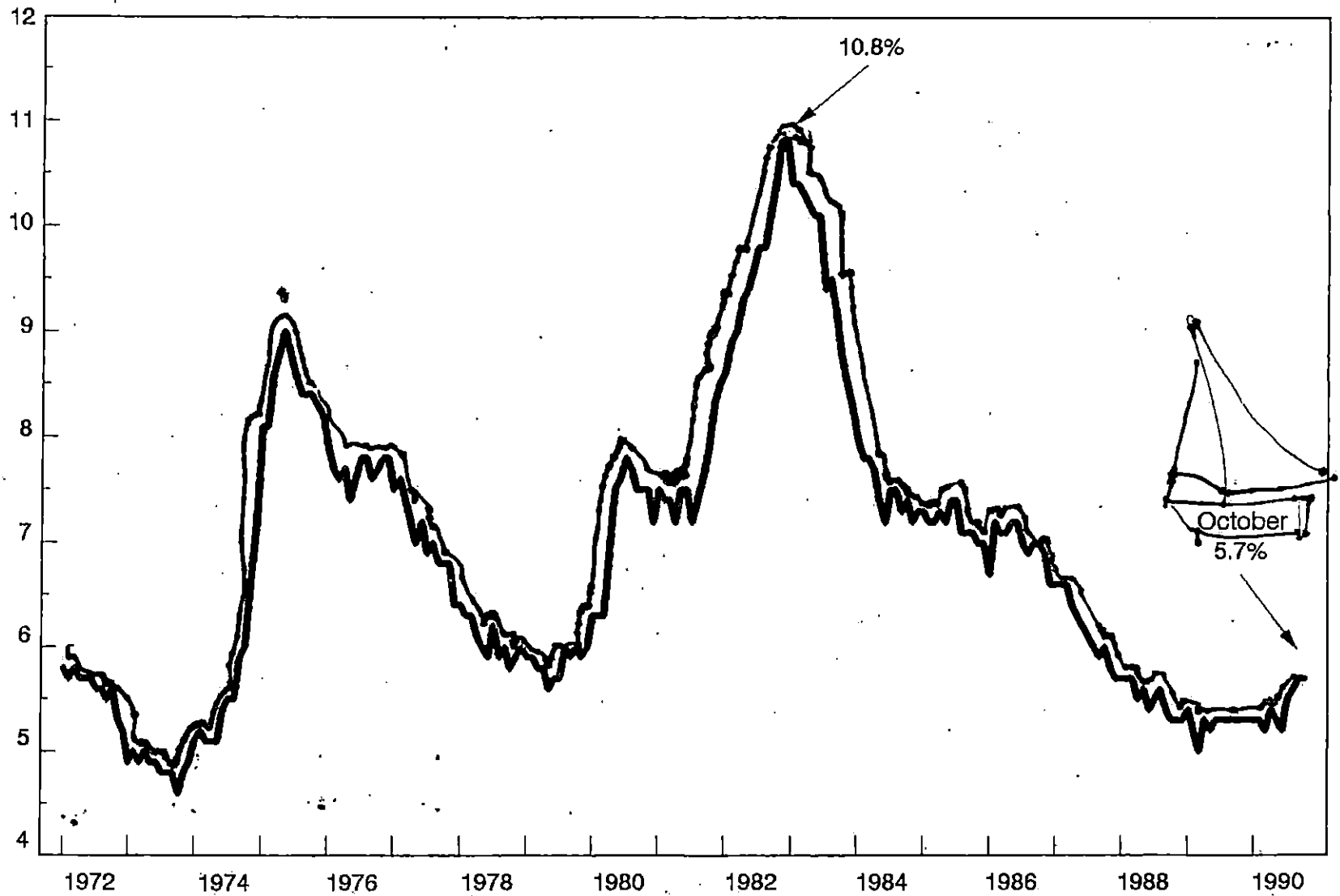


*Data are drought-adjusted

Percent change from preceding quarter

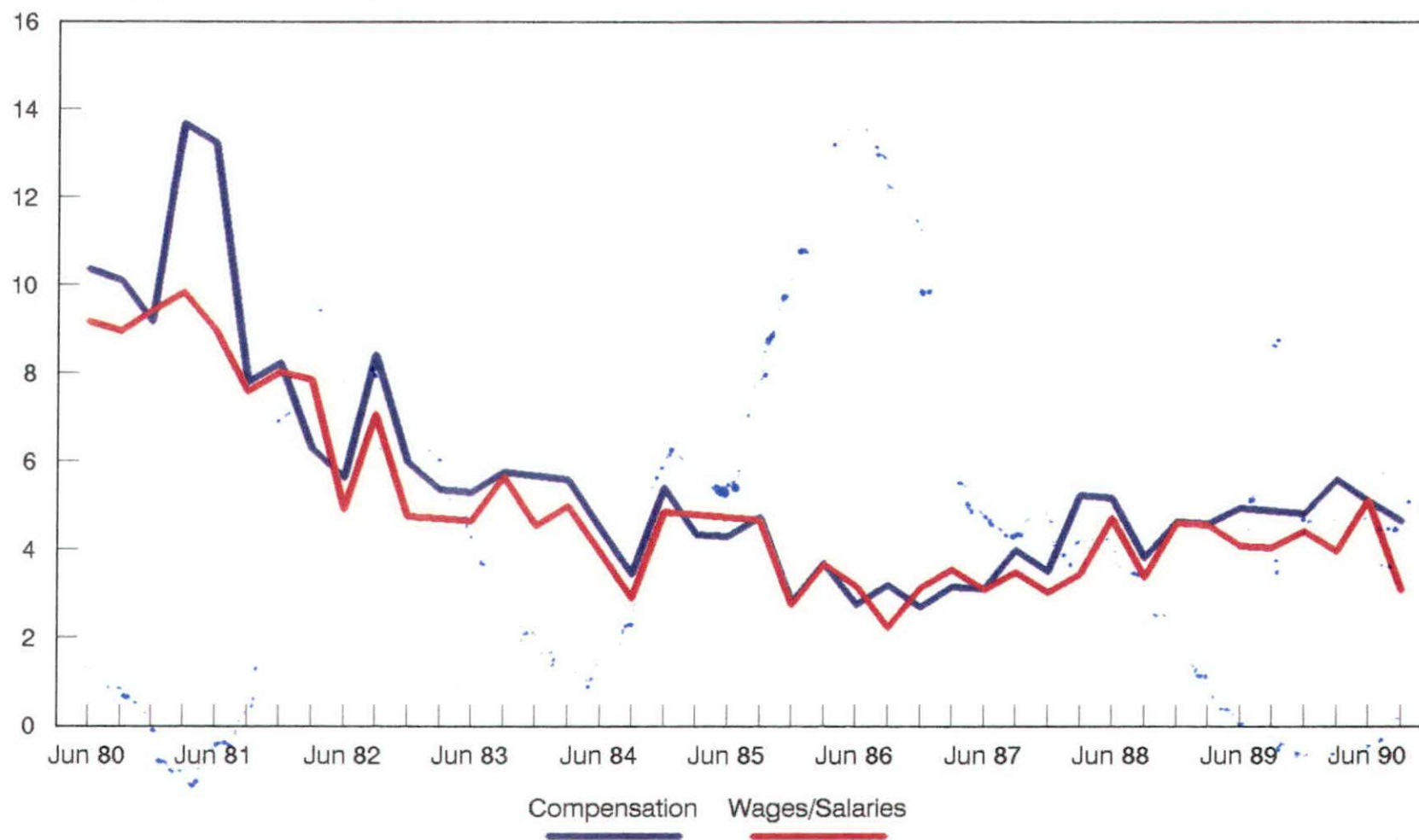
The Unemployment Rate.

Percent of Civilian Labor Force



The Employment Cost Index.

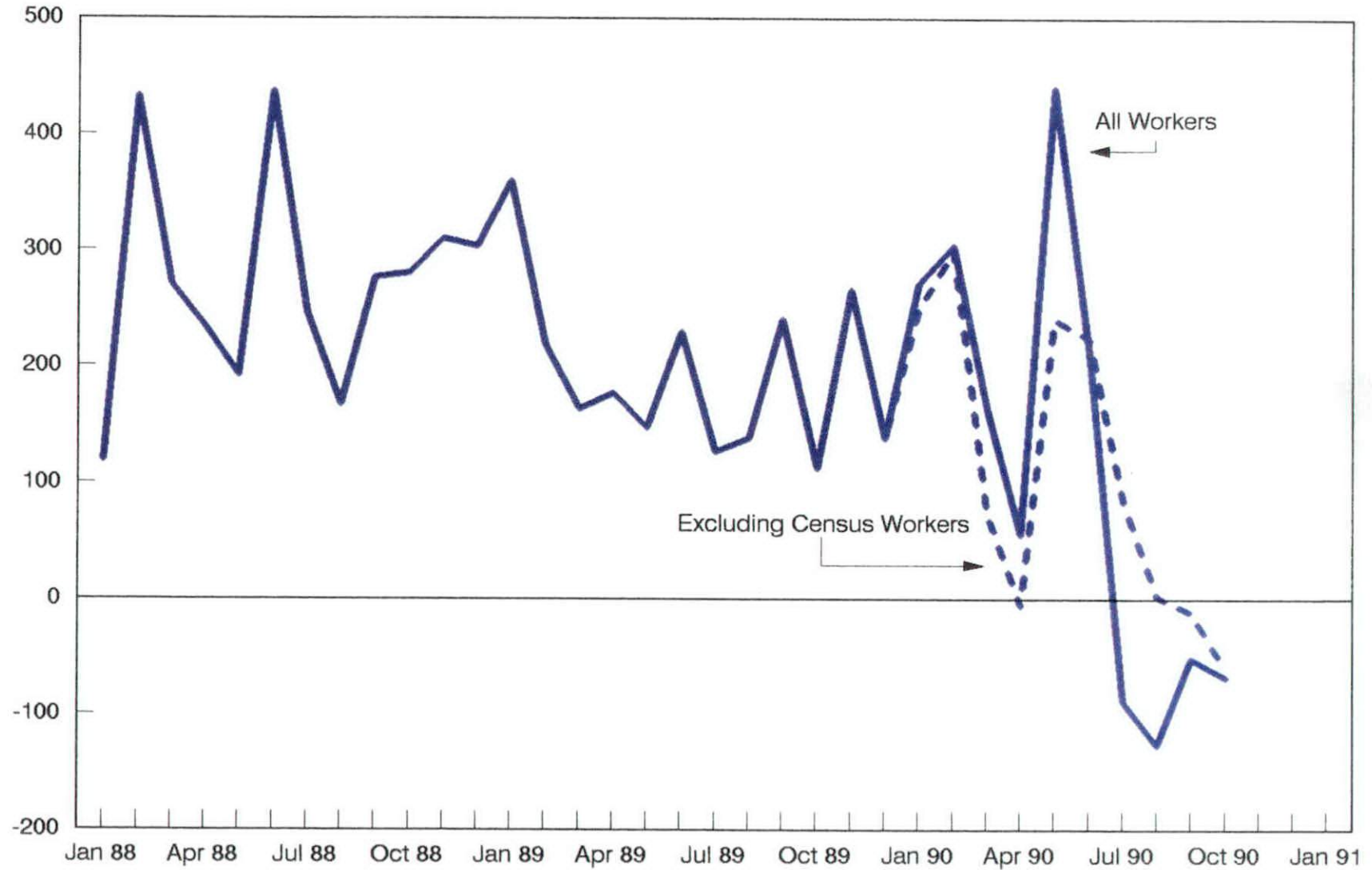
Percent change from 3 months ago, annual rate



Seasonally Adjusted Data
All Private Industry

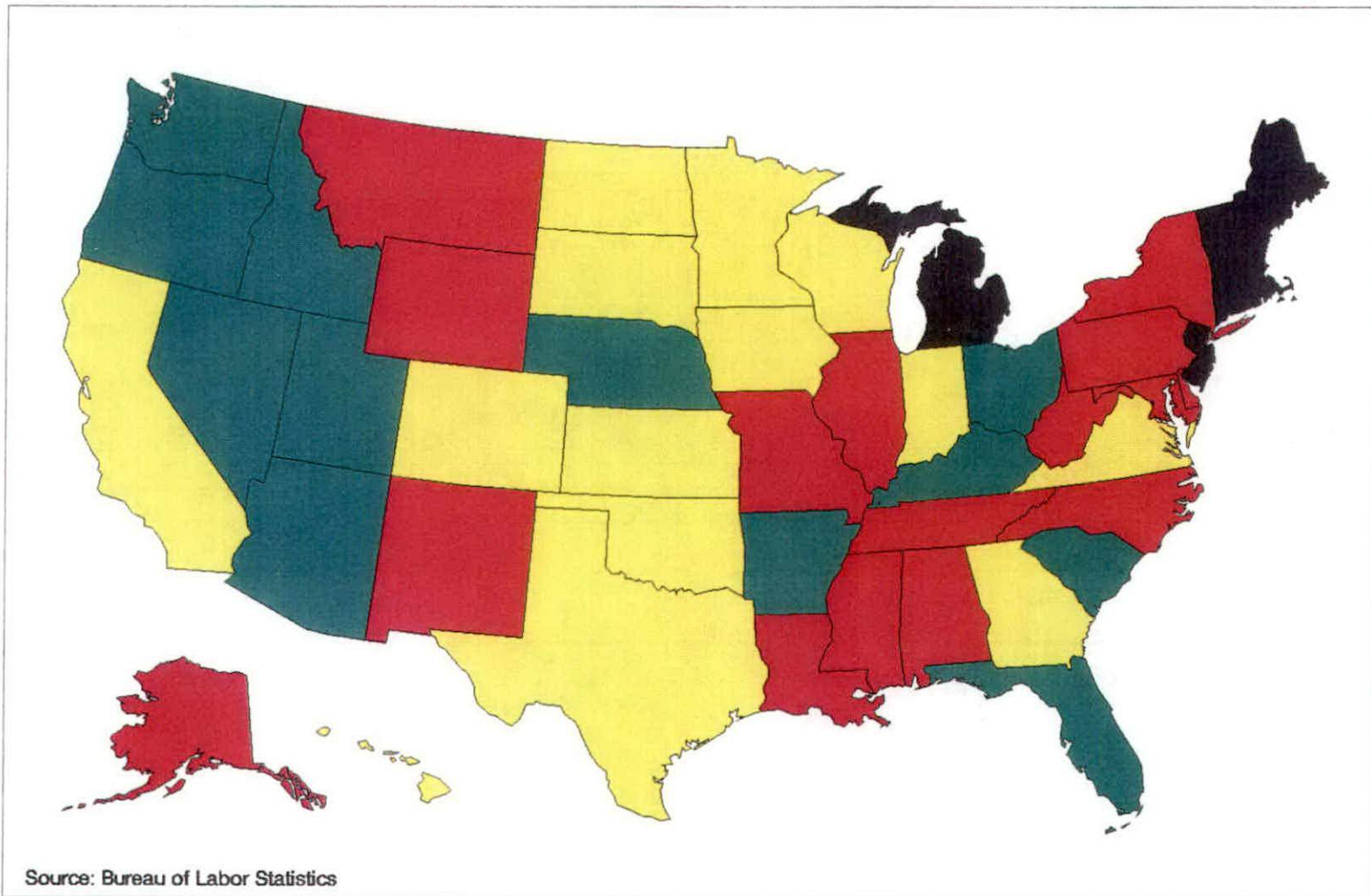
Nonfarm Job Growth.

Thousands of Workers (change from previous month)



Payroll Employment

Employment Growth.*



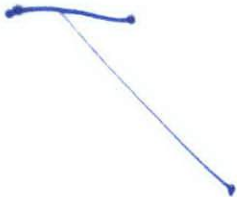
*September 1989 - September 1990



The Civilian Unemployment Rate in 11 Large States
percent of civilian labor force

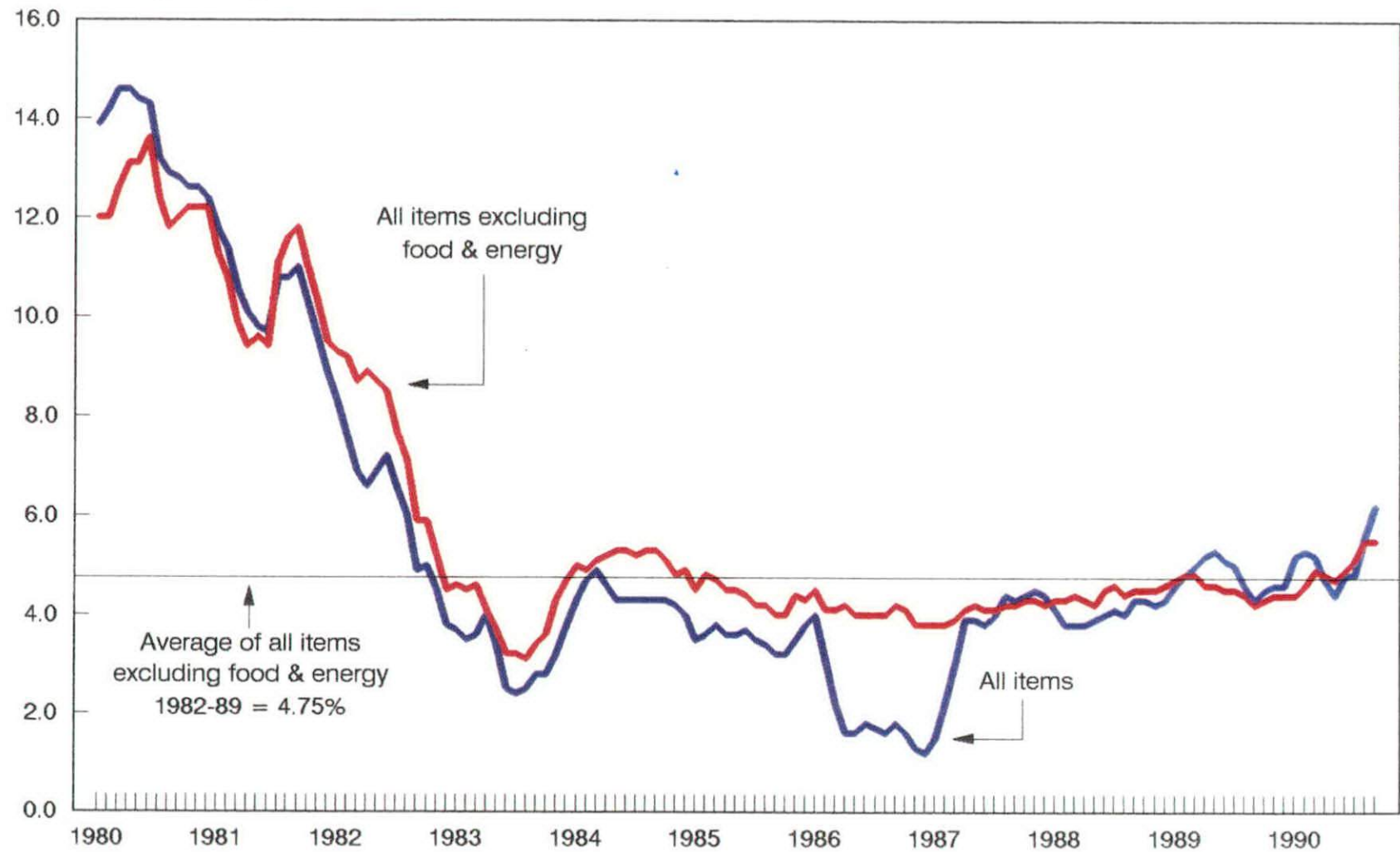
	<u>November</u> <u>1982</u>	<u>June</u> <u>1990</u>	<u>October</u> <u>1990</u>
Overall United States	10.8	5.2	5.7
California	11.2	4.9	6.0
Florida	9.3	6.5	6.2
Illinois	13.2	6.0	5.9
Massachusetts	7.3	5.8	6.3
Michigan	16.8	7.3	7.4
New Jersey	9.8	4.8	5.5
New York	9.9	5.1	5.6
North Carolina	*	3.7	4.6
Ohio	13.9	5.2	5.9
Pennsylvania	12.1	4.6	6.1
Texas	7.8	5.6	5.7

* Series begins in January 1985.



The Consumer Price Index.

Percent change from year earlier



ADMINISTRATION'S ECONOMIC ASSUMPTIONS
(calendar years)

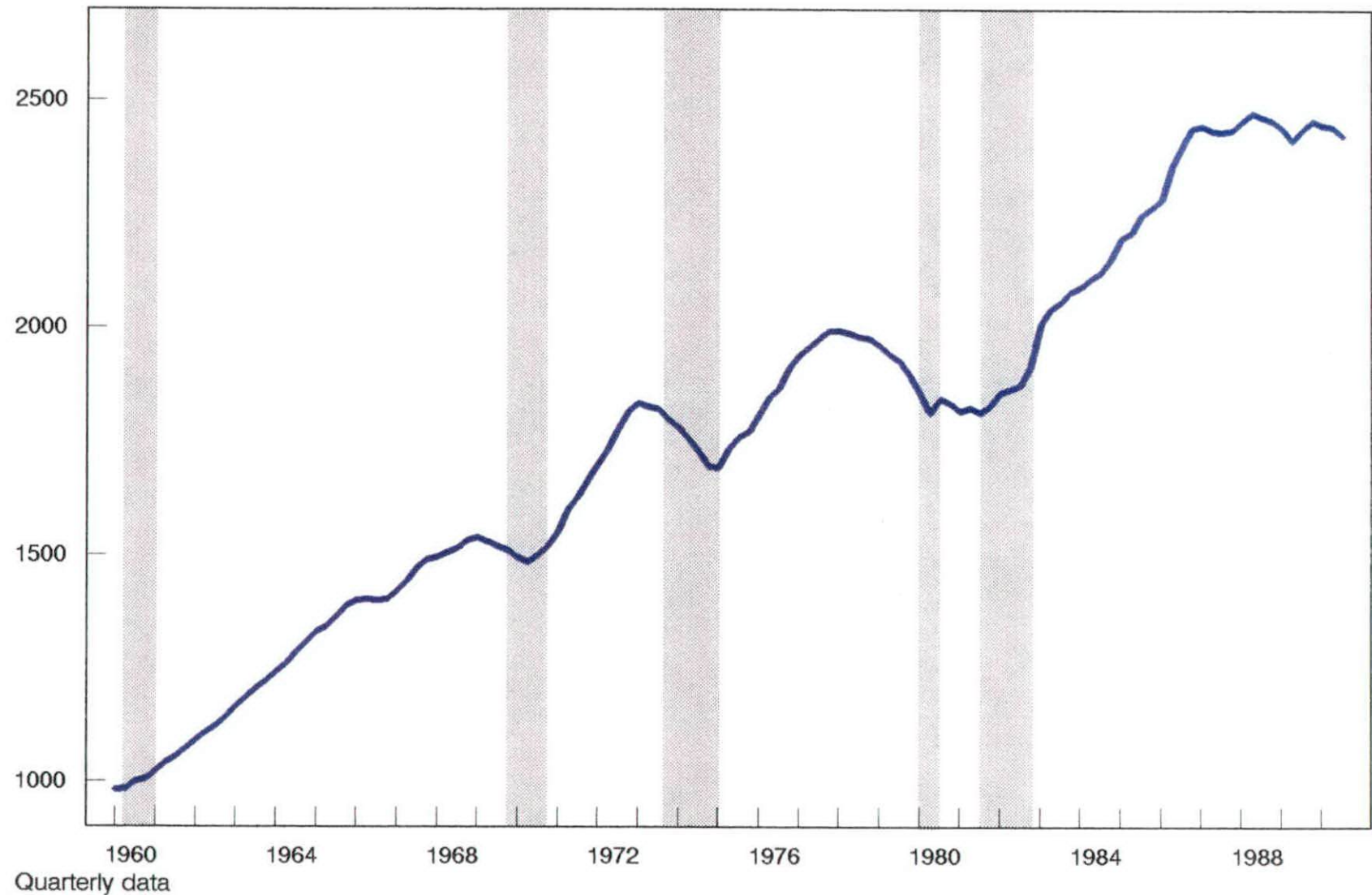
	<u>1990</u>	<u>1991</u>
Real GNP, percent change, 4th/4th	0.7	1.3
GNP deflator, percent change, 4th/4th	5.2	4.6
Unemployment rate.....	5.6	6.1
Interest rates:		
91-day Treasury bills.....	7.7	7.2
10-year Treasury notes.....	8.7	8.3

BLUE CHIP AVERAGE FORECAST
(October 10, 1990)
(calendar years)

	<u>1990</u>	<u>1991</u>
Real GNP, percent change, 4th/4th	0.6	1.5
GNP deflator, percent change, 4th/4th	4.9	4.2
Unemployment rate.....	5.5	6.1
Interest rates:		
91-day Treasury bills.....	7.6	7.0
Corp. Aaa bonds.....	9.3	9.1

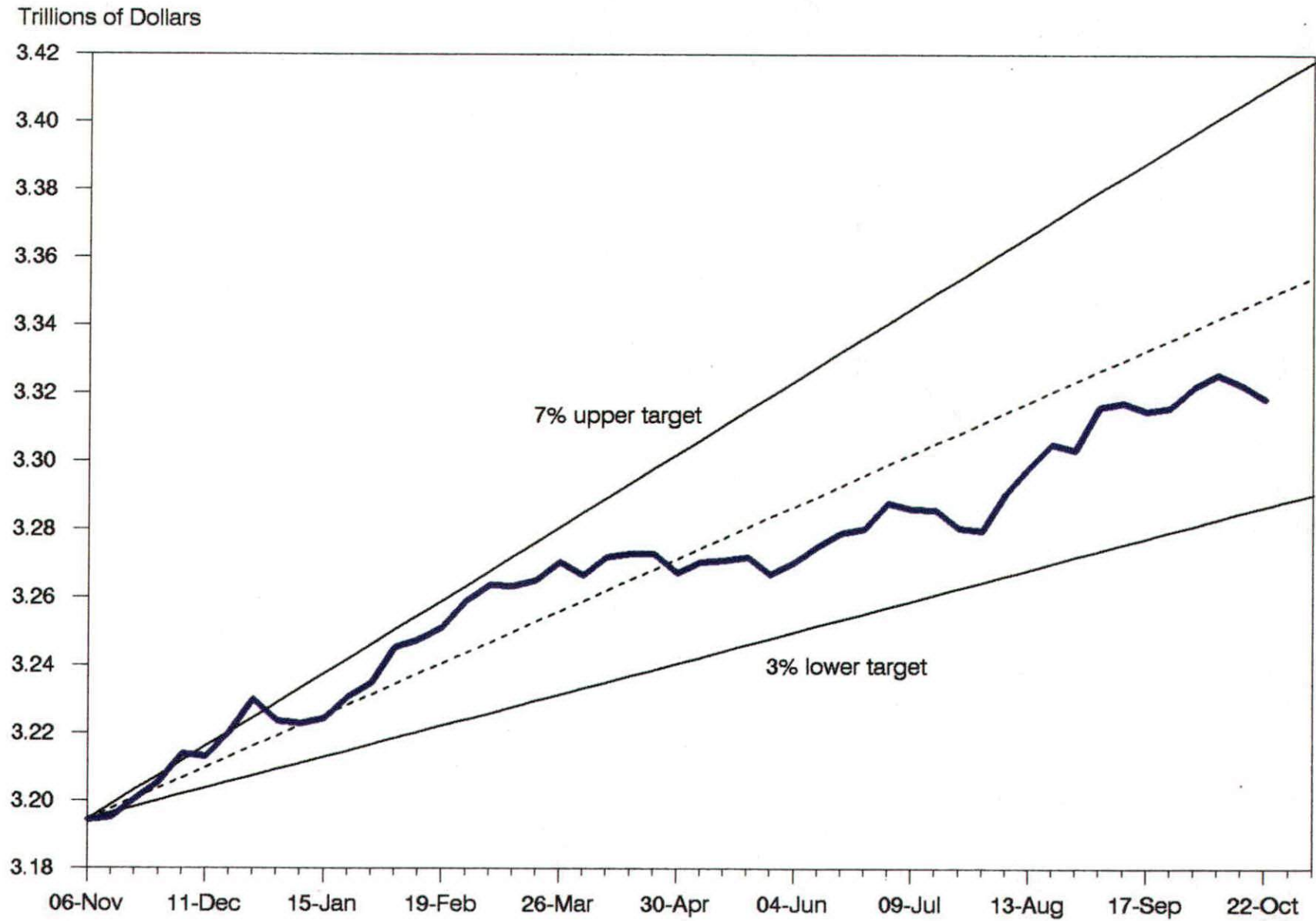
Real M2.*

Billions of 1982 Dollars



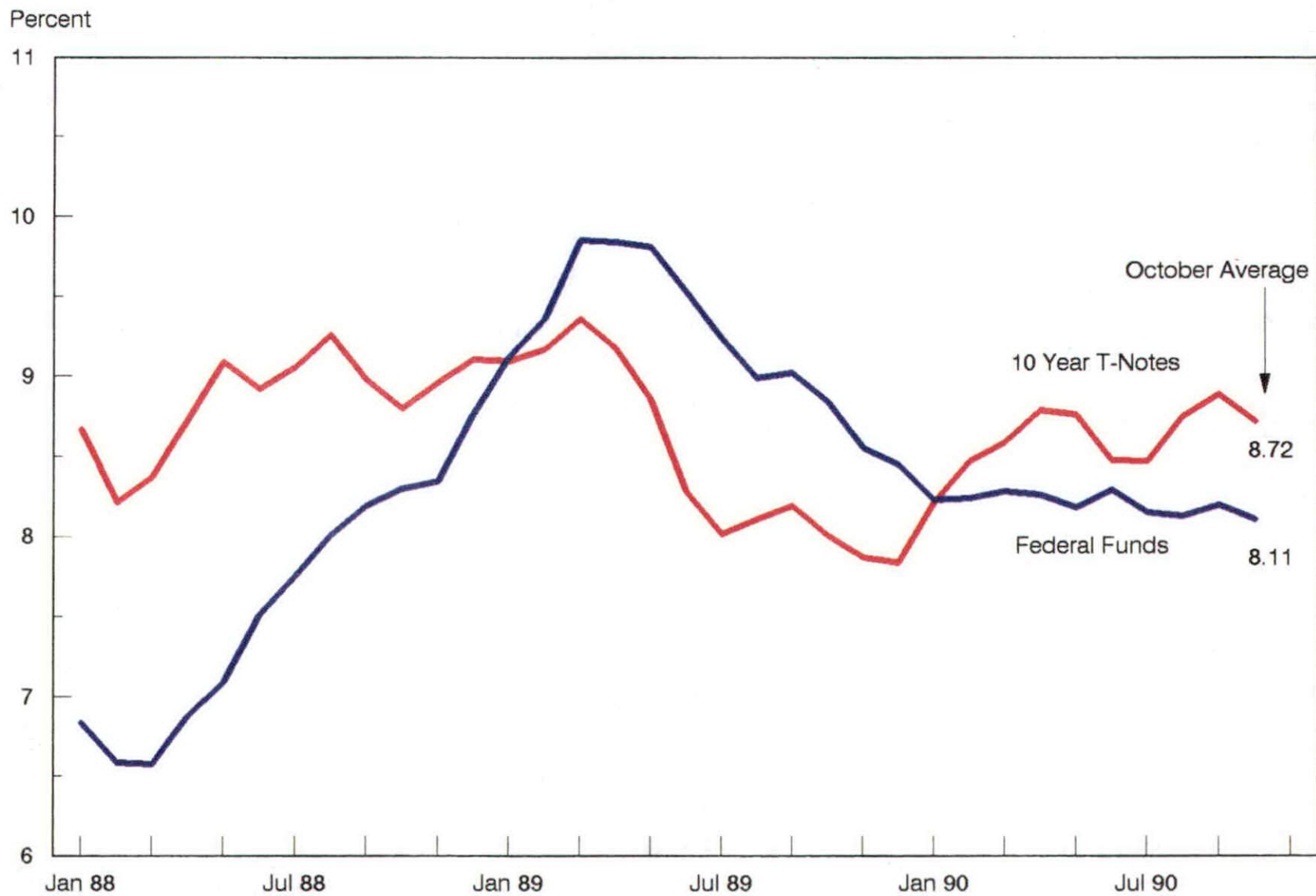
*Real M2 = Nominal M2 / CPI (1982 base)

Money Stock - M2.



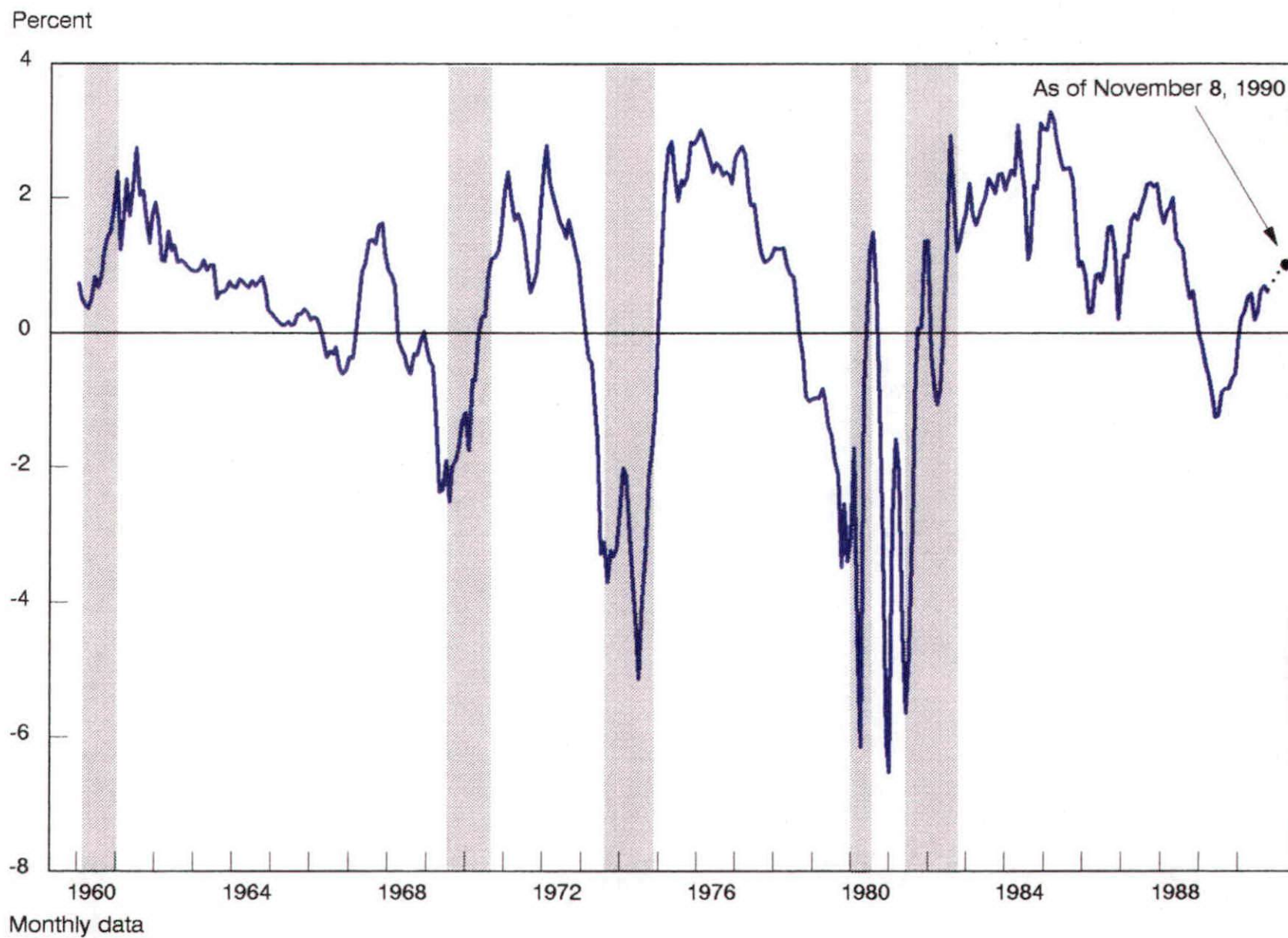
Weekly Average, SA

Interest Rates.

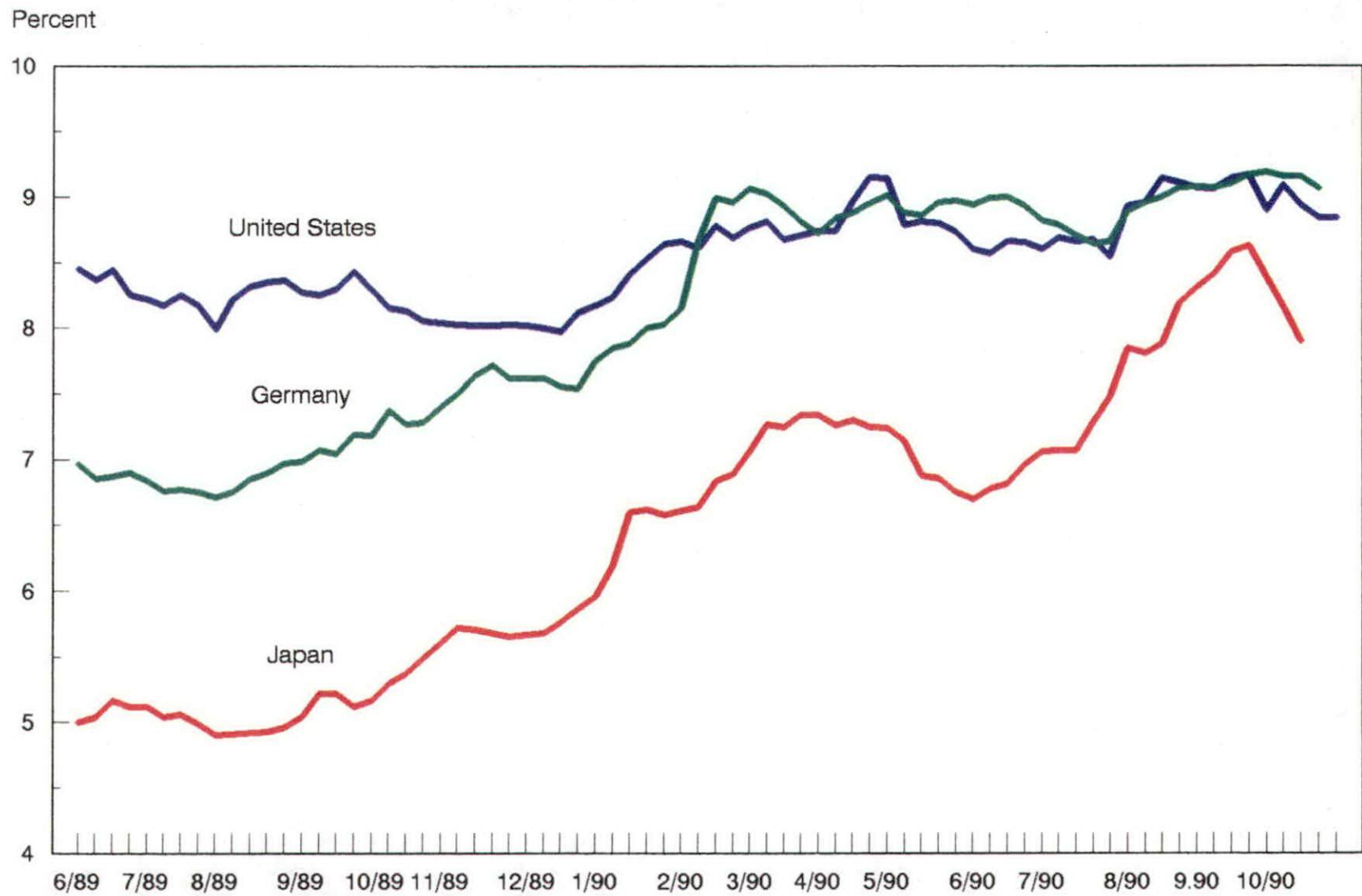


Monthly data

10 Year T-Note Rate minus Federal Funds Rate.



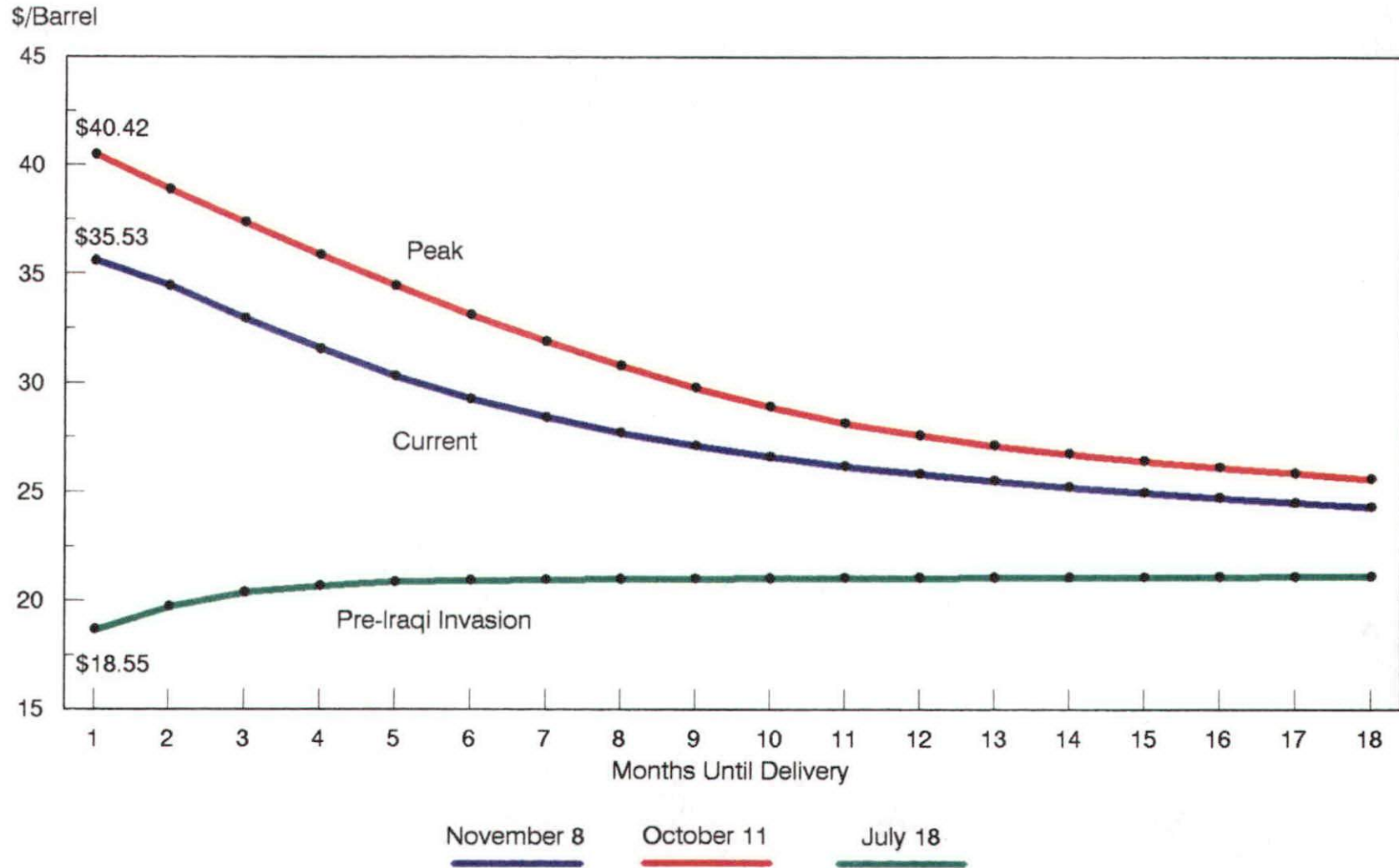
International Long-Term Bond Rates.



Composite measures, weekly average

Futures Prices: West Texas Intermediate Crude.

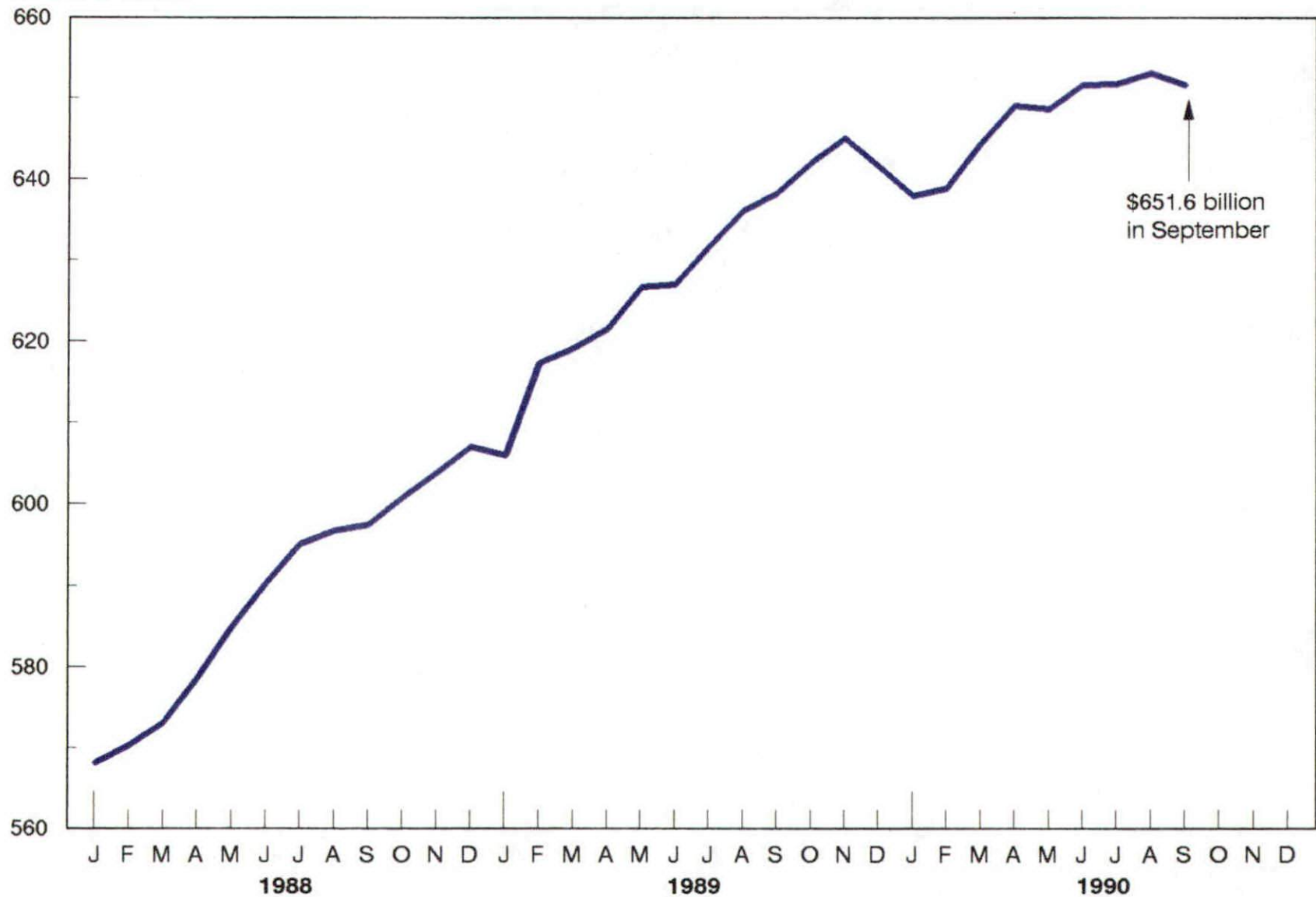
(as of close, Thursday, November 8, 1990)



New York Mercantile Exchange

Commercial and Industrial Bank Loans.

Billions of dollars



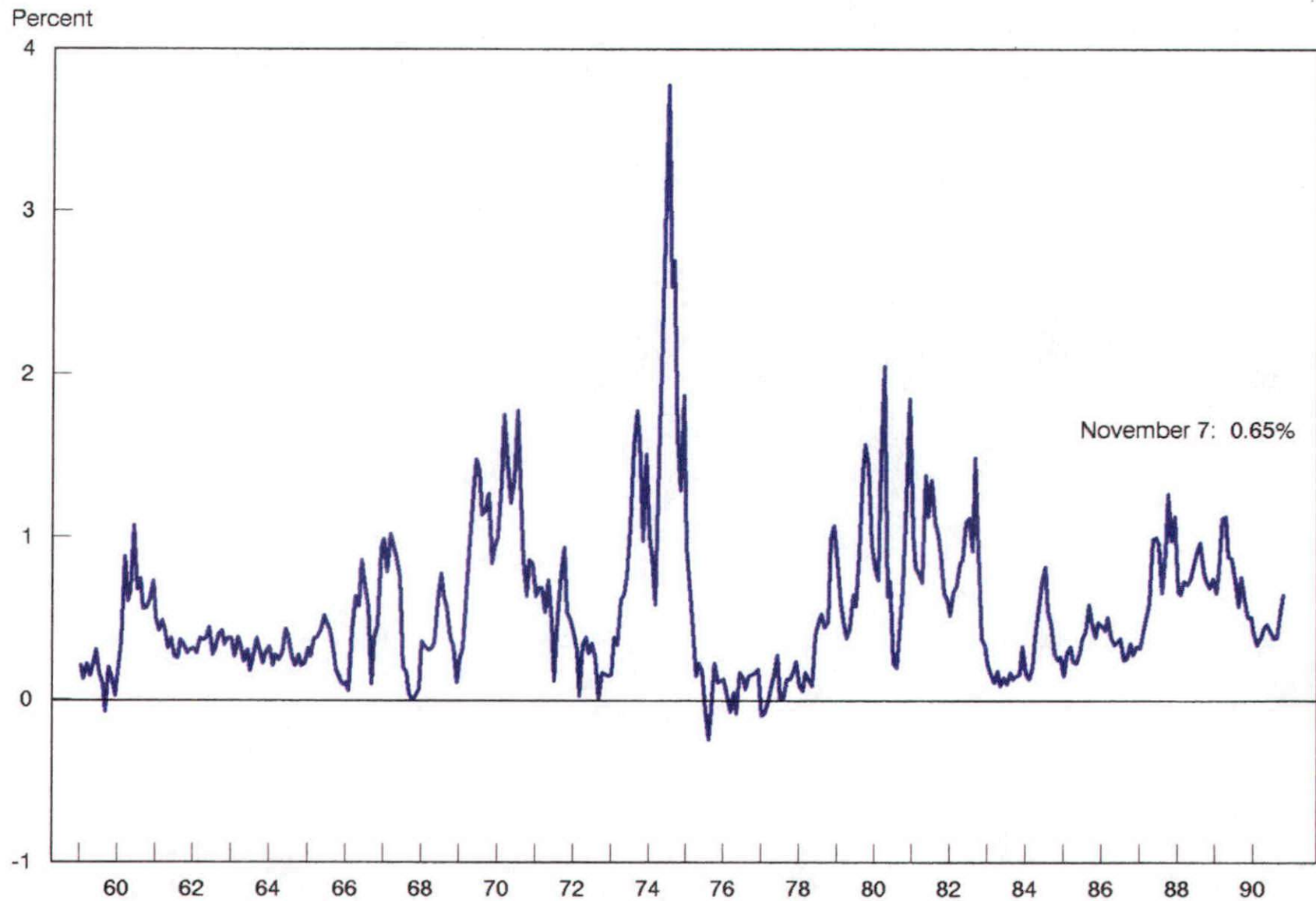
Monthly average

Stock Market.

Dow Jones 30 Industrials



Commercial Paper Risk Premium.*

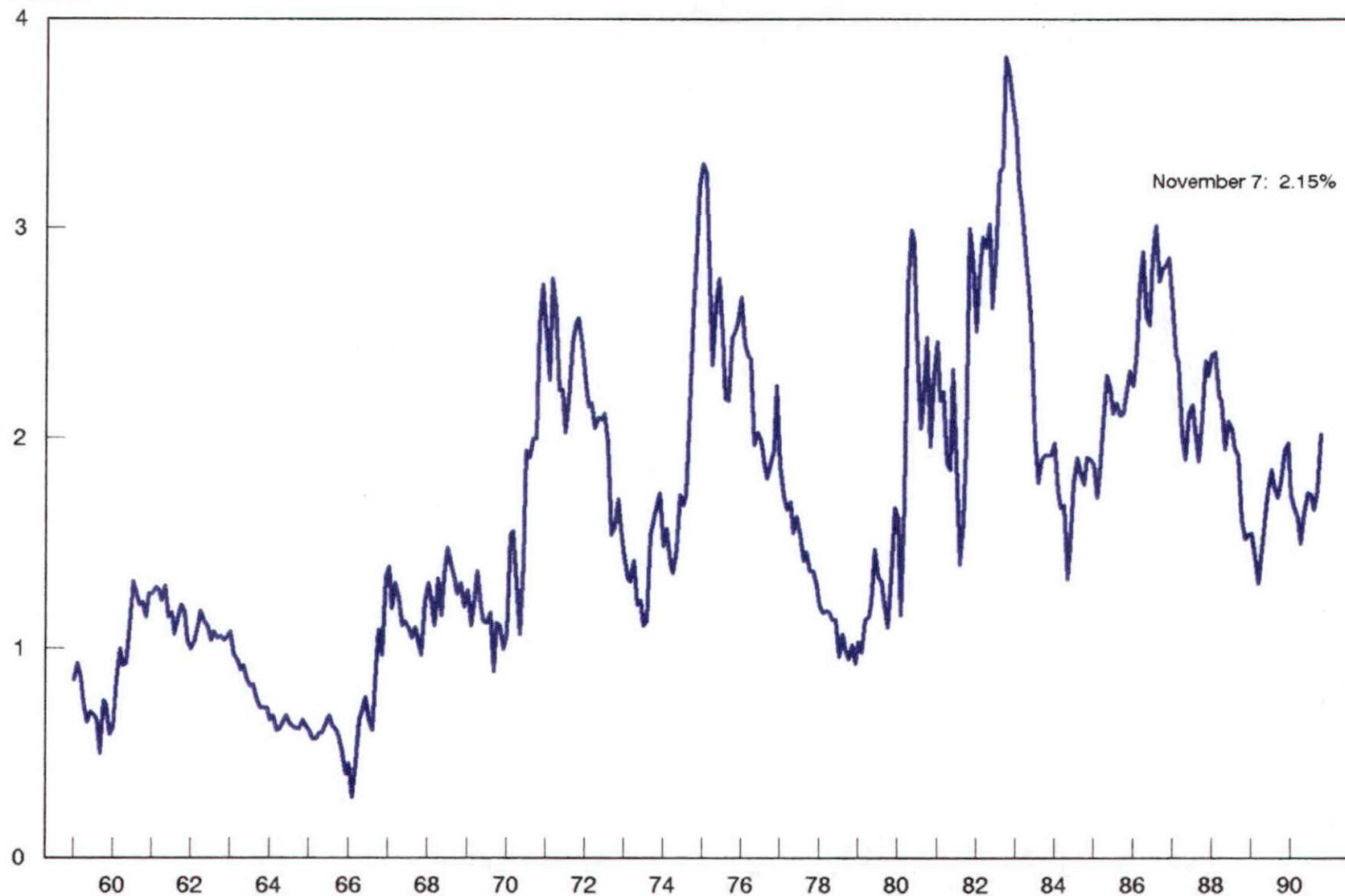


Commercial paper risk premium is the yield on 6-month commercial paper less the yield on 6-month T-bills.

Monthly average

Corporate Bond Risk Premium.*

Percent



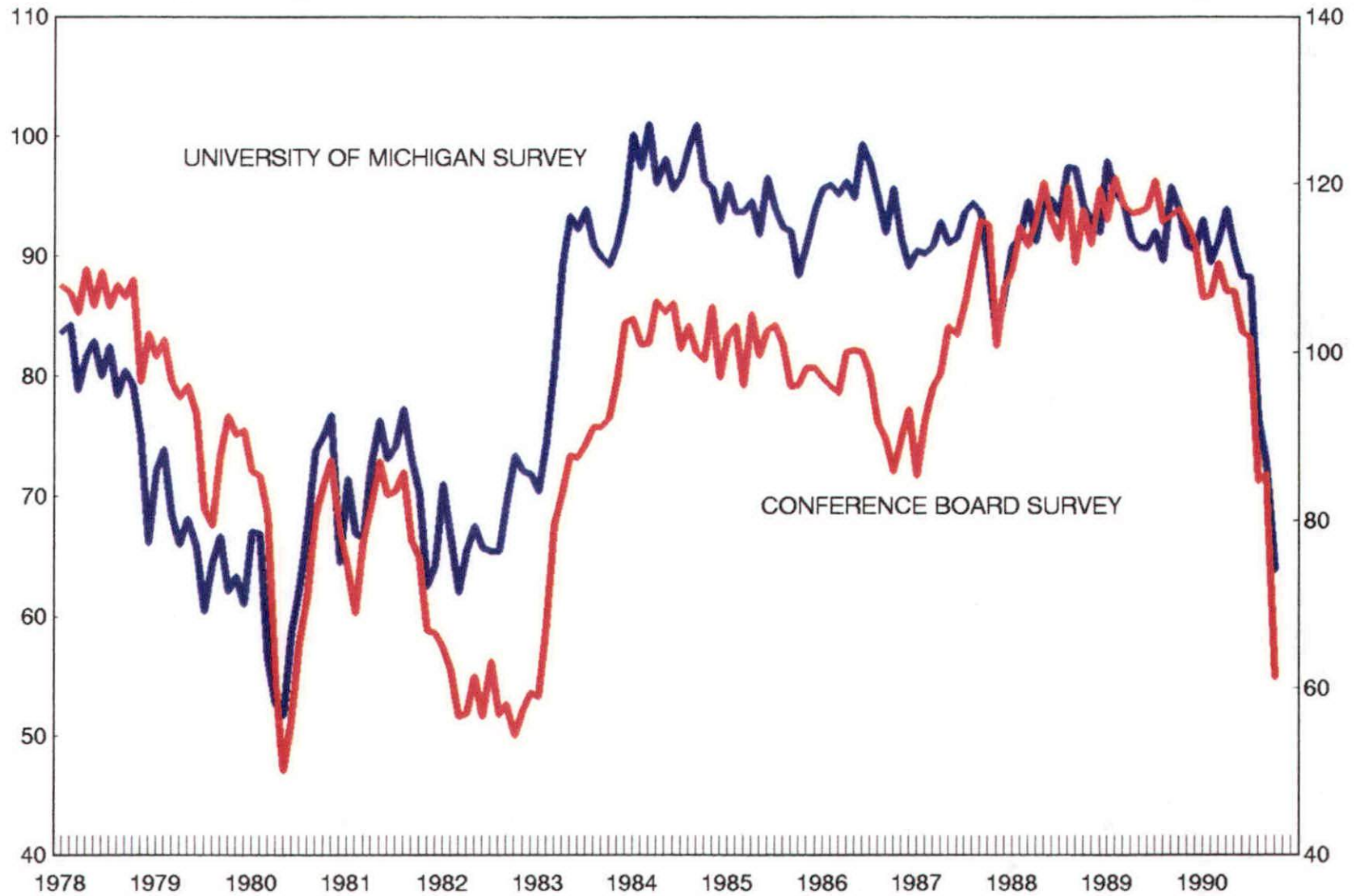
Corporate bond risk premium is the yield on Moody's corporate BAA bonds less the yield on 10-year constant maturity securities.

Monthly average

Consumer Confidence.

University of Michigan Index (1966:1Q = 100)

Conference Board Index (1985 = 100) SA



C. Dand

Dammam
paper

I. STATE OF THE ECONOMY

- (1) "Recession" is essentially here -- according to most outside economists (and the Fed). (See Blue Chip, etc. -- NOTE: Administration forecast has not yet fully adjusted.)
- (2) "Fear" -- especially of Mideast war and oil risks -- is a major contributing element of the problem. (See consumer confidence and DRI analysis.)
- (3) "Credit Crunch" -- partly caused by regulation, partly by recession/uncertainties/fear -- is another contributing element.
- (4) Major risks: Mideast/deeper recession/major financial system problems (including major bank failures, bank insurance fund problems, insurance company failures, strong adverse market reactions).
- (5) Good news(!): A responsible, orderly fiscal fix has been legislated. Inventories are low. Average post-war recessions are 11 months long. With the right break in the Mideast, this recession could be shorter -- and the run toward '92 could be very favorable.

II. ISSUES REQUIRING NEAR-TERM ATTENTION

- ✓ (1) Contingency planning for economic effects of Mideast conflict.
- ✓ (2) Federal Reserve policy.
- ✓ (3) S&L/Banking -- fix for the obvious problems: RTC overhang reduction; RTC funding; deposit insurance reform; bank insurance fund shortfall fix -- another \$50 billion-plus!
- ✓ (4) Comprehensive fix for troubled financial sector: monetary policy; regulatory policy; entry of commercial players; holding company requirements; acceleration of consolidations; etc., etc.
- (5) Budgetary priorities:
 - (a) short-term stimulus issues [NOTE: GRH waiver may be triggered.]
 - (b) long-term growth issues -- expenditure shift toward R&D, investment, early childhood; tax incentives? or no-tax-change policy?
- (6) Energy strategy.
- (7) Anti-poverty strategy.
- (8) Various issues requiring defensive strategy.
- (9) Themes.

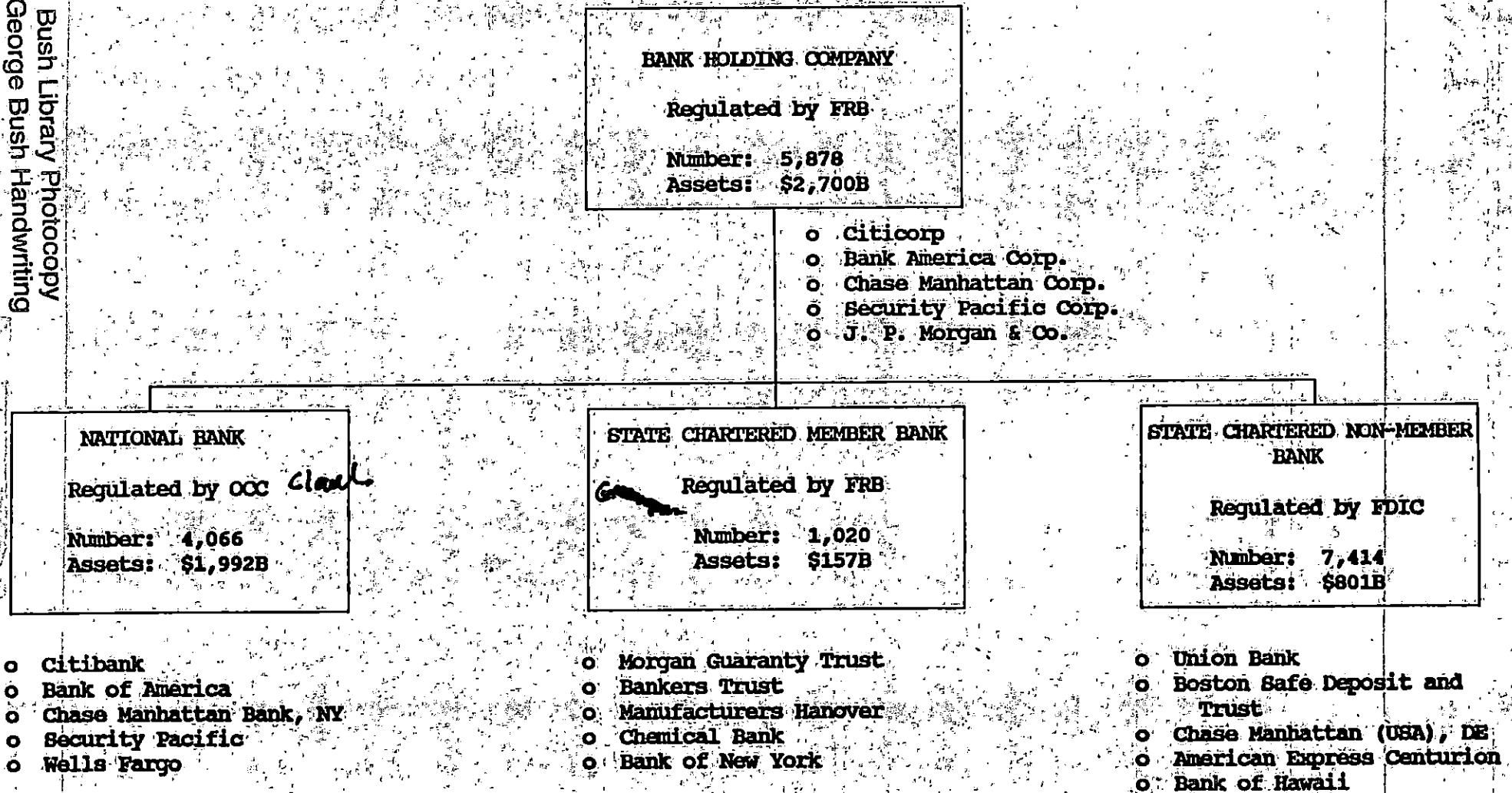
DDT

Bush Presidential Library Photocopy

Bush Library Photocopy
George Bush Handwriting

FEDERAL REGULATION OF COMMERCIAL BANKS

Bush Library Photocopy
George Bush Handwriting



Note: Number and assets of BHCs as of year-end 1989 (FRB); number and assets of banks as of June 30, 1990 (FDIC).

SELECTED MATERIALS ON BANKING INDUSTRY

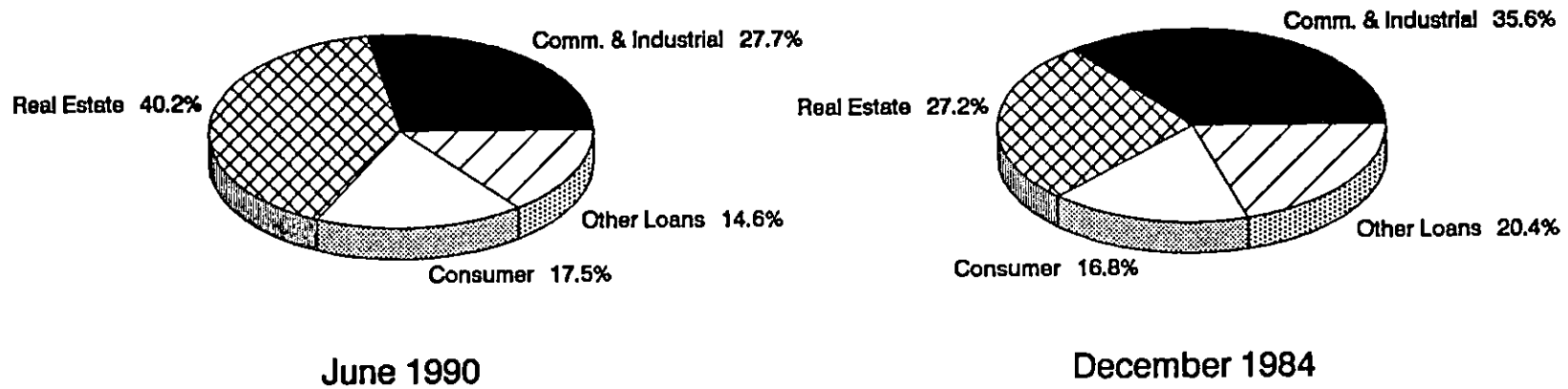
BANK EARNINGS

Net Income to Assets

	6/30/90	89	88	87	86	85	84
Large Banks*	.61	.08	.96	(.64)	.57	.53	.35
Small Banks	.71	.70	.72	.53	.59	.73	.73
ALL BANKS	.63	.43	.77	.13	.58	.66	.58

* Large banks are defined as those greater than \$10 billion in assets.

Composition of Loans of All FDIC Insured Banks



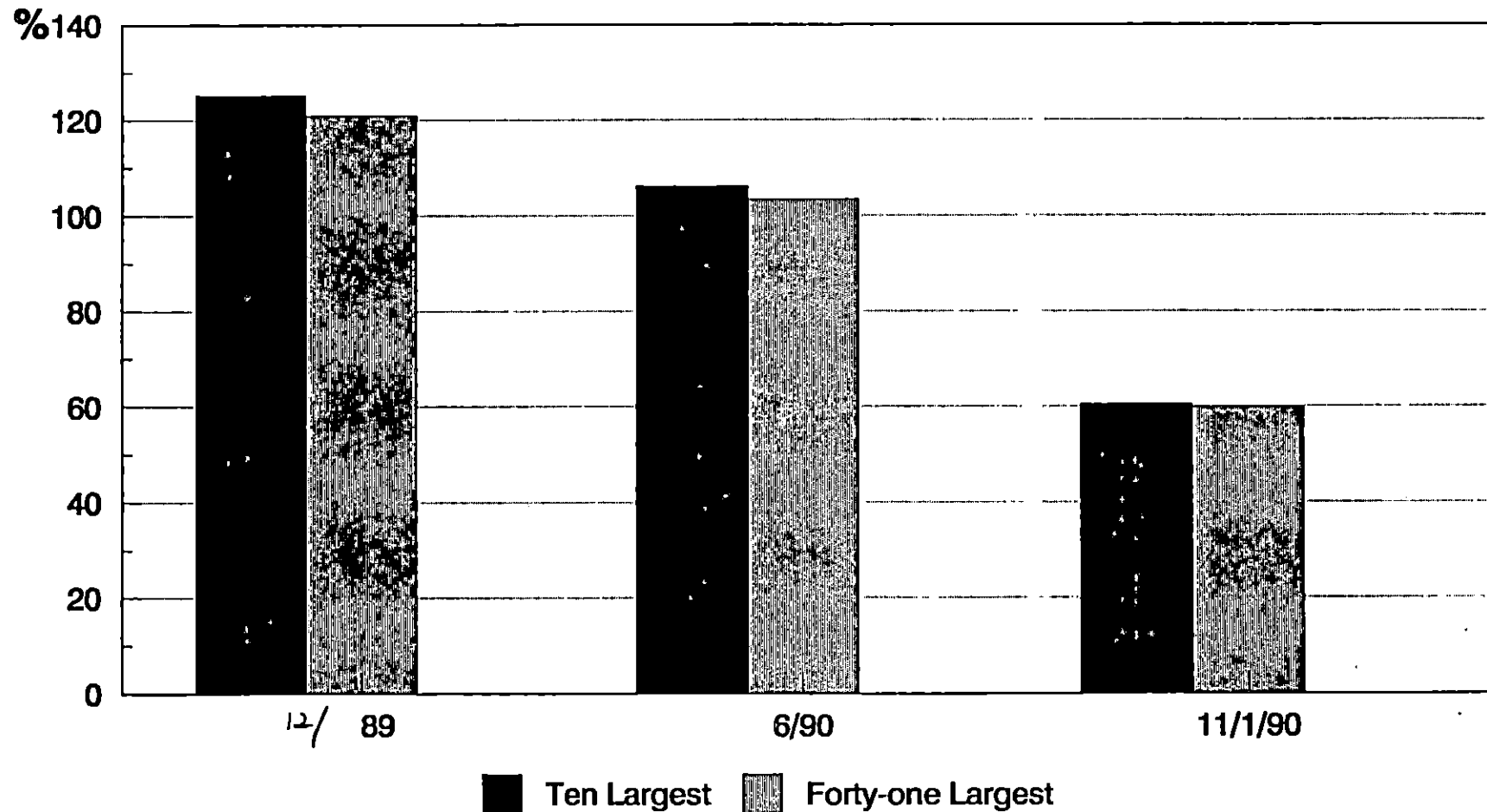
Total loans were \$2.2 trillion in 1990 and \$1.6 trillion in 1984.

Insured Commercial Banks as of June 1990
(\$ Billions)

	<u>Total</u>	<u>Assets Over \$10 B</u>
Number of Banks	12,320	45
Total Assets	3,298	1,320
Equity Capital	211	66
Total Capital	284	109
<u>Capital at Book Value (%)</u>		
Equity to Assets	6.4%	5.0%
Total Capital to Assets	8.5%	8.1%

Performance of Large Bank Holding Companies

Market To Book Value \1



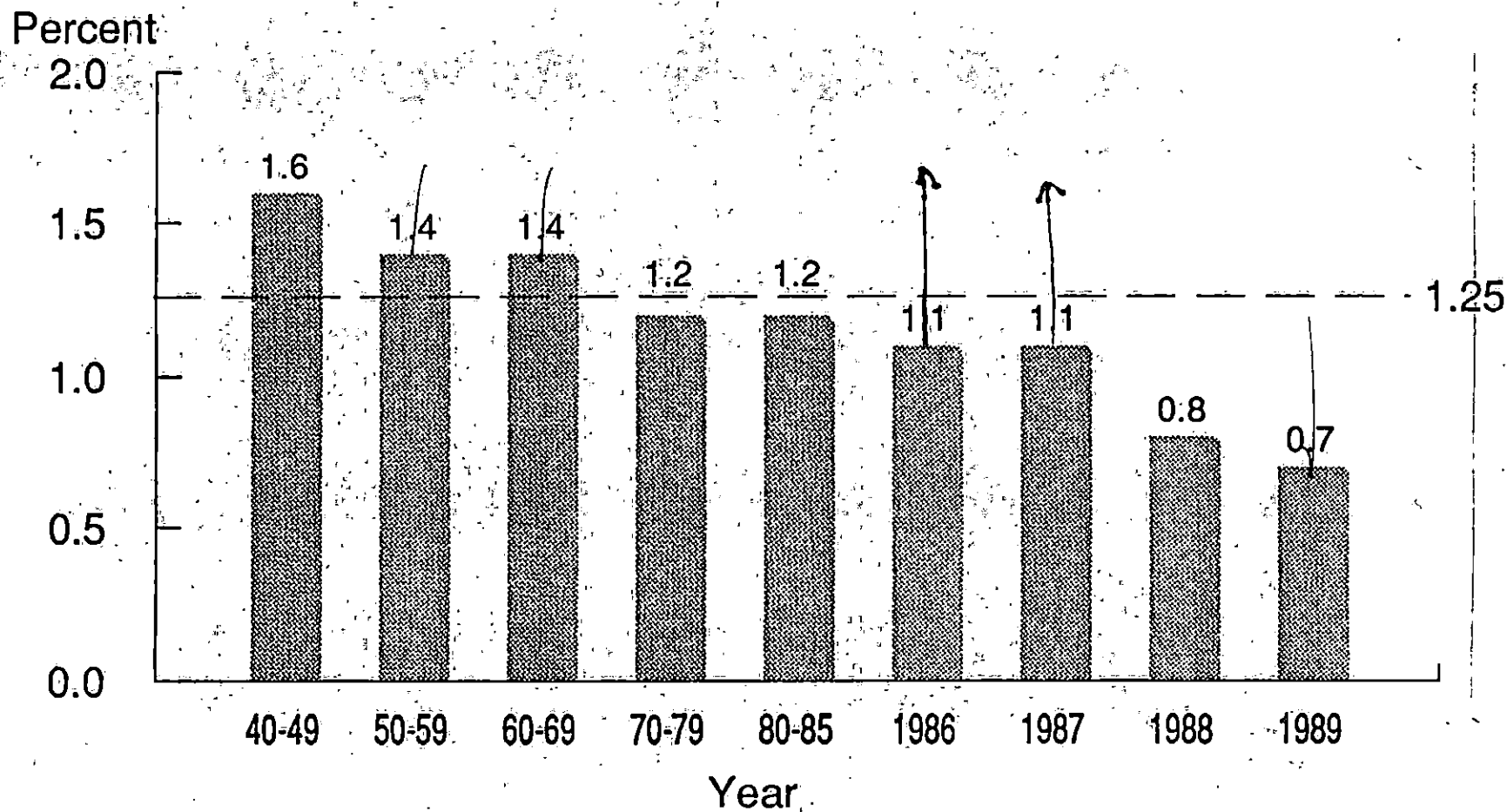
\1 Market to book for November 1, 1990 is based on price as of midday 11/1/90 and book value on 9/30/90.

HOW THE BANKING SYSTEM DIFFERS FROM THE S&L'S

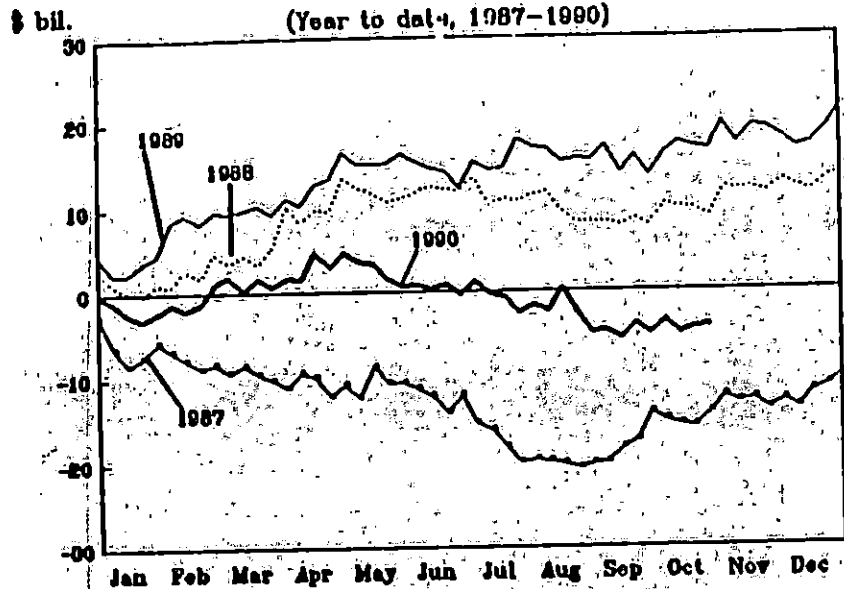
1. More capital.
 - o At year-end 1988, the thrift industry's tangible capital to asset ratio was 1.6 percent.
 - o As of June 30, 1990, the commercial banking industry's equity to asset ratio was 6.4 percent.
2. Better supervision.
 - o Thrift regulators were directed, by statute, to promote housing finance, which often resulted in less strict regulation.
 - o Bank regulators were directed to examine and regulate banks.
3. Far more limited ability to engage in highly risky activities.
 - o Banks can not invest directly in real estate, equity securities, or junk bonds.
 - o Thrifts had authority to make direct investments and invest in junk bonds before the passage of FIRREA.
4. Less fraud.

FDIC BANK INSURANCE FUND

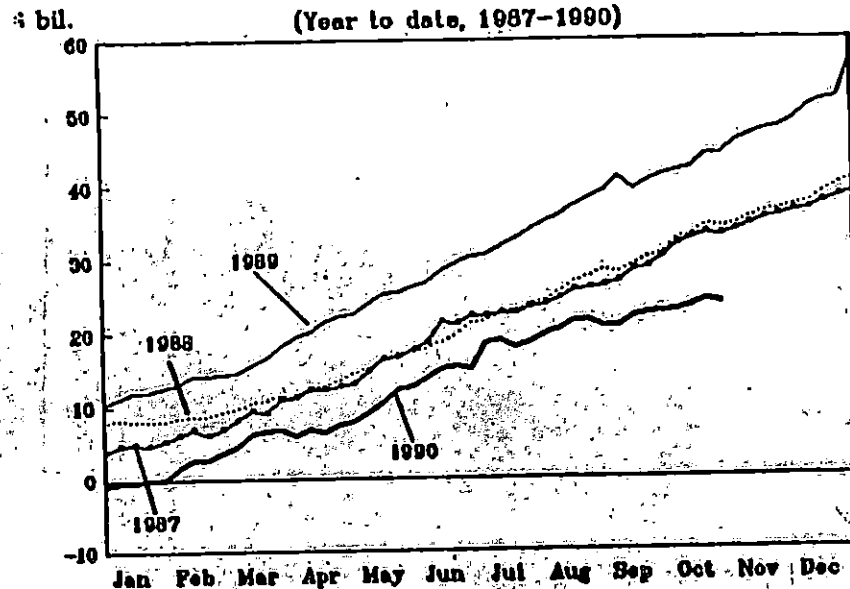
Balance as a Percent of Insured Deposits



All Federal Reserve Districts
Cumulative C&I Loans, nsa
(Year to date, 1987-1990)

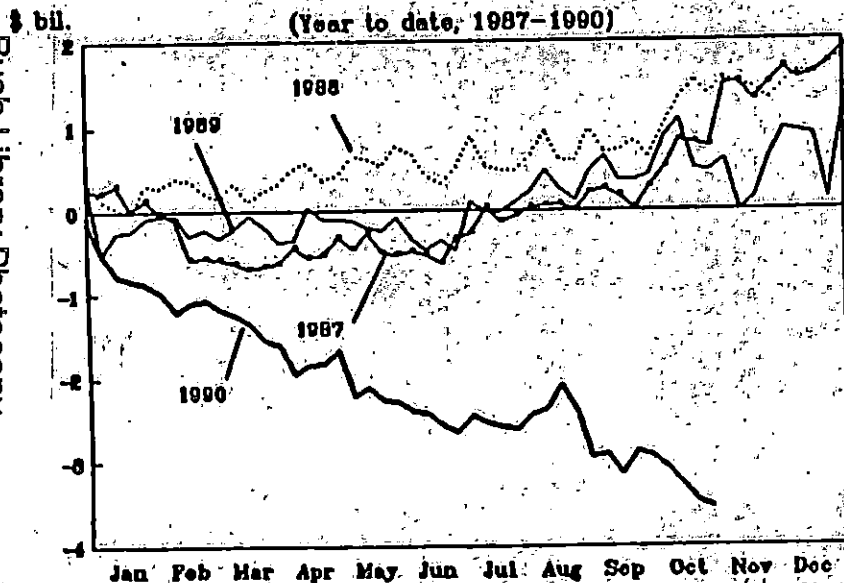


All Federal Reserve Districts
Cumulative Real Estate Loans, nsa
(Year to date, 1987-1990)

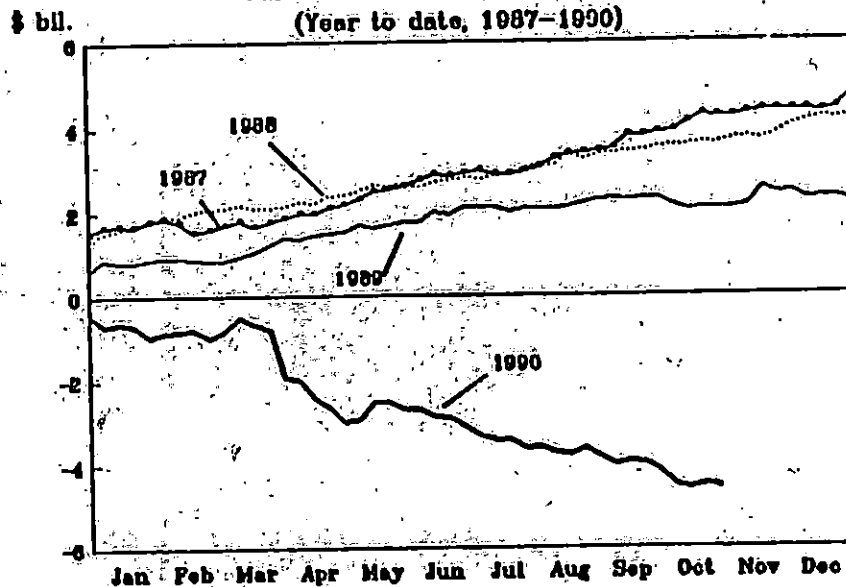


C + I = commercial, industrial

Boston Federal Reserve District
Cumulative C&I Loans, nsa
(Year to date, 1987-1990)



Boston Federal Reserve District
Cumulative Real Estate Loans, nsa
(Year to date, 1987-1990)



Bush Presidential Library Photocopy

COMMERCIAL BANKS - BASELINE THREE-YEAR FORECAST
Distribution by Equity Class Within Size Groups

JUNE 1990

JUNE 1993 FORECAST

<u>Size Class</u>	<u>Banks</u> <u>Number</u>	<u>Pct.</u>	<u>Assets</u> <u>\$ Millions</u>	<u>Pct.</u>	<u>Banks</u> <u>Number</u>	<u>Pct.</u>	<u>Assets</u> <u>\$ Millions</u>	<u>Pct.</u>
Assets over \$500 M:								
Over 6% equity	412	66.56	935,522	36.92	346	55.90	856,513	29.45
3 - 6 %	202	32.63	1,578,849	62.31	241	38.93	1,568,549	53.93
0 - 3 %	5	0.81	19,460	0.77	27	4.36	454,285	15.62
Insolvent	0	0.00	0	0.00	5	0.81	29,229	1.00
TOTALS	619	100.00	2,533,831	100.00	619	100.00	2,908,576	100.00
Assets \$200 - 500 M:								
Over 6% equity	688	83.09	206,285	82.17	623	75.24	214,479	73.05
3 - 6 %	130	15.70	41,319	16.46	171	20.65	66,360	22.60
0 - 3 %	9	1.09	3,200	1.27	20	2.42	7,515	2.56
Insolvent	1	0.12	250	0.10	14	1.69	5,247	1.79
TOTALS	828	100.00	251,054	100.00	828	100.00	293,601	100.00
Assets \$100 - 200 M:								
Over 6% equity	1,388	89.20	190,332	88.90	1,271	81.68	204,673	81.40
3 - 6 %	154	9.90	21,924	10.24	227	14.59	37,568	14.94
0 - 3 %	13	0.84	1,719	0.80	39	2.51	6,408	2.55
Insolvent	1	0.06	117	0.05	19	1.22	2,790	1.11
TOTALS	1,556	100.00	214,092	100.00	1,556	100.00	251,439	100.00

COMMERCIAL BANKS - RECESSION THREE-YEAR FORECAST
Distribution by Equity Class Within Size Groups

JUNE 1990

JUNE 1993 RECESSION FORECAST

<u>Size Class</u>	<u>Banks</u> <u>Number</u>	<u>Pct.</u>	<u>Assets</u> <u>\$ Millions</u>	<u>Pct.</u>	<u>Banks</u> <u>Number</u>	<u>Pct.</u>	<u>Assets</u> <u>\$ Millions</u>	<u>Pct.</u>
Assets over \$500 M:								
Over 6% equity	412	66.56	935,522	36.92	345	55.74	824,393	29.04
3 - 6 %	202	32.63	1,578,849	62.31	238	38.45	1,521,700	53.61
0 - 3 %	5	0.81	19,460	0.77	29	4.68	461,279	16.25
Insolvent	0	0.00	0	0.00	7	1.13	31,107	1.10
TOTALS	619	100.00	2,533,831	100.00	619	100.00	2,838,479	100.00
Assets \$200 - 500 M:								
Over 6% equity	688	83.09	206,285	82.17	587	70.89	200,387	68.60
3 - 6 %	130	15.70	41,319	16.46	200	24.15	76,458	26.17
0 - 3 %	9	1.09	3,200	1.27	22	2.66	8,082	2.77
Insolvent	1	0.12	250	0.10	19	2.29	7,184	2.46
TOTALS	828	100.00	251,054	100.00	828	100.00	292,111	100.00
Assets \$100 - 200 M:								
Over 6% equity	1,388	89.20	190,332	88.90	1,257	80.78	197,725	80.49
3 - 6 %	154	9.90	21,924	10.24	240	15.42	38,831	15.81
0 - 3 %	13	0.84	1,719	0.80	36	2.31	5,919	2.41
Insolvent	1	0.06	117	0.05	23	1.48	3,176	1.29
TOTALS	1,556	100.00	214,092	100.00	1,556	100.00	245,651	100.00

FDIC INSURANCE FUND
ESTIMATES BASED ON OMB BANK FAILURE MODEL
(\$ Millions)

	FY90	FY91	FY92	FY93	FY94	FY95	TOTAL 91-95
	(ACTUAL)						
DISBURSEMENTS							
Case Resolutions							
Notes	3,453	2,867	2,867	2,867	2,867	2,867	14,336
Cash	9,897	14,351	14,351	14,351	14,351	14,351	71,755
Loss Payments ¹¹		9,339	9,339	9,339	9,339	9,339	46,695
TOTAL DISBURSEMENTS	13,350	26,557	26,557	26,557	26,557	26,557	132,785
Portion from "Puts"		0	0	0	0	0	
COLLECTIONS							
Net Assessments	2,868	4,861	6,014	6,381	6,745	7,089	31,090
Asset Recoveries	2,372	6,103	10,325	13,012	13,761	14,510	57,710
Interest Income	1,232	731	0	0	0	0	731
Other		8	8	8	8	9	41
TOTAL COLLECTIONS	6,472	11,702	16,347	19,401	20,514	21,608	89,572
NET OUTLAYS	6,878	14,855	10,210	7,156	6,043	4,949	43,213
OMB Baseline: Net Outlays	4,509	1,944	1,706	(315)	(1,326)	(2,229)	(220)
Deltas to Baseline:	2,369	12,911	8,504	7,471	7,369	7,178	43,433
FUND NET WORTH	12,808	9,069	5,752	2,802	216	(2,025)	
Coverage Ratio (basis points) ~~50.70~~	0.64	0.43	0.26	0.12	0.01	-0.08	

¹¹ 1990 Loss Payments Incorporated in Notes and Cash.

- This does not include recession (maybe 20% more)

- Traditionally, fund > 1%
Confidence: 1 - 1.25%

November 8, 1990

Chuck Knight, Emerson Electric

Stepped out of annual planning meeting to take call. Emerson's business is broadly based and is 45% consumer, 55% capital equipment. Consumer business is in the tank for the last two quarters; capital equipment business headed down in the September quarter.

Emerson is on a September 30th fiscal year and domestic sales will be down 2% after a 2% price increase, making real sales minus 4%. They are laying people off. Knight expects 4th quarter, 1990 and first quarter, 1991, to be down. Does not expect to see his business turn around until June of 1991.

Their earnings per share will be up this year due to acquisitions and international business. The price of the dollar has helped international but they are even beginning to notice a slowing in Europe. Emerson is planning a SG&A cut of 5% in fiscal 1991.

Prescription: "Who knows! But, getting interest rates down would be a big help."

Andy Sigler, Champion International

Champion has two basic businesses:

- (A) Wood (lumber and plywood)
- (B) Paper

Wood is the worse he can remember it. Worst than 1973 or 1982. It is awful. Champion has 20 saw mills, none made money in September.

The paper business is "not so bad." Copy paper is okay; newsprint is okay; and publications paper is okay. From Champion's corporate point of view, Sigler says he is scared to death. The company has a lot of big construction projects on line that they had planned to spend \$750 million to \$850 million per year over the next two years. Revised cash flow is now projected to be \$400 million down from \$1 billion when projects were authorized. Sigler says it is very hard for him to pull back.

Prescription: Lower interest rates would help the credit crunch.

Jack Welch, General Electric

Business is weak, bad. Appliances are down 5 - 6% in the 4th quarter; sales to the automotive industries dried up in the last week; lighting business very slow; with the sale of light bulbs minus 8% since

August. The light bulb or "use up the bulbs in the closet" phenomenon is the same as it was in 1973 or 1978, all oil scares. The light bulb closet phenomenon is probably short-lived but it is there.

Sales based on capital spending have slowed down but still positive. Medical equipment is way up; aircraft engines are strong; power generation equipment is strong due to industry bounce-back from the 1980's.

NBC advertising revenues have fallen off the cliff. "You may have noticed a lot of promotion of our own shows. This is because after cutting advertising rates 40%, we have stopped cutting. World Series went for \$60,000 a minute versus \$250,000 last year.

"Early-decision advertising decisions for prime time shows are usually sold at 40% off final price because of the early commitment by advertisers. The scatter market, which typically fills in the unsold time spots closer to the airing of the program, normally sells at a higher price, are now 25% below early-decision prices."

All three major networks are at breakeven. A table of GE businesses would look like the following:

<u>Consumer/terrible</u>	<u>Industrial projects/ok</u>	<u>Heavy equipment/good</u>
NBC lighting plastics to auto- motive	controllers, guages industrial systems	turbines long cycle industrial equipment jet engines

Prescription: Lower interest rates and increased confidence in banking system.

Bob Allen, AT&T

AT&T saw signs of a slow down in mid-April. The slow down has continued since then but not at an alarming pace. October results were reasonable. Services side of their business remaining strong; the hardware, i.e. Western Electric, not too hot.

AT&T corporate view is that they are not in a recession; and previous view of a 50/50 chance of recession next year is now more pessimistic and they are predicting a shallow, not too long recession. AT&T's feeling is that the oil price increase is the factor that tipped the balance into recession. With regard to the long distance telephone business which has always been an excellent forecast of economic activity, their international business remains strong; no comparison is possible with regard to domestic long distance because this is the first downturn during which they have had a full range of competitors.

As mentioned, Western Electric is soft in the U.S. but stronger abroad and small business systems, PBX business, is weak.

AT&T's 3rd quarter results were up 2% with the consumer telephone

business strong, which is to be expected because of the decrease in unit cost of telephone calls, which Allen now describes as a bargain.

Prescription: The Fed should move interest rates down.

Bruce Atwater, General Mills

Having repositioned itself to be 100% in the food business (75% in consumer food, 25% restaurants), General Mills is having a very good year and Atwater does not currently feel the country is in a recession, although it is softening a bit. The food items which would indicate to him real trouble, such as flour and Hamburger Helper, are not showing out of the ordinary gains. Their restaurant business--Red Lobster & The Olive Garden--are showing 5-6% growth although their managers feel that if economic times were more robust that growth would be 7-8%. His feeling is that although the economy is softening in tone, we are not in the tank but we might be heading toward a soft landing.

Atwater is on the General Electric board and feels that Jack Welch is too pessimistic.

Prescription: We can't get rid of cycles. We have had the longest expansion in the history of the country. There are some things like debt load which have to be shrunk down and politically having a slow down now could be good timing. We would not want, he feels, to have it any later.

He feels we should get a move out of the Fed. That inflation in the food business, in terms of food ingredient prices, is low and therefore inflation should not be a Fed worry.

Dick Gelb, Bristol-Myers

We are in a industry which has been called recession proof and drug industry sales and profits in the 3rd quarter were embarrassingly good. Bristol-Myers product sales which would ordinarily have been deferrable and therefore subject to an economic downturn such as artificial hips and knees and sales to the medical profession have shown no down turn. Bristol-Myers sales to K-Mart and Wal-Mart are good even though those companies say they are having trouble. Bristol-Myers pharmaceutical business is okay.

Having said all that, from his seat on the New York Federal Reserve Board, meetings are pretty depressing. Upstate New York regional banks are really hurting.

As a member of the Business Roundtable, that organization's view is that although the US is not technically in a recession, things are headed south.

Prescription: His feeling is we should shore up confidence in the banking system and a Fed decrease could be in order.

Phil Hawley, Carter Hawley Hale Stores

The large retailers today are suffering a real downturn. Business is terrible. The comparative store numbers which have just been released today (sales numbers without new stores) are particularly revealing. J. C. Penney is down 4.9% overall but on a comparative store basis is down 6%.

What gains are being shown are coming from off-price promotions and give-ups. Carter Hawley's business, which is upscale, the consumer shutdown occurred slightly after Labor Day but most retailers noticed this in mid-August. Carter Hawley most recent quarter was up 2% overall but flat on a comparative store basis while retailing inflation is running at 3 1/2%.

Hawley had just returned from a Saturday and Sunday retreat of the Bank of America, having been a Director for over 20 years. Bank of America's review of the banking industry was the most pessimistic that he has heard in his time as a director. He cited as reasons toughness on the part of bank examiners; Citicorp has to come up with capital which is holding a pall over the industry; Japanese banks are vacating and restricting lending.

Prescription: Fed should get rates down.

Frank Shrontz, The Boeing Co.

From a marketing (not sales) point of view, Boeing is experiencing some softening but it is particular to certain airlines who have debt leverage problems or have made bad labor contracts. However, they are not experiencing a softening in orders and international business is particularly good. Even with all of the pessimistic news one reads about the airline industry, the only airline that had asked for later deliveries is U. S. Air. Some airline purchase options have been allowed to slip but it is not a general trend. Boeing is going to spend \$1.2 billion on expansion in 1990 and is still planning to spend \$2 billion in 1991. Obviously, if all the bearish talk continues it will affect passenger usage and airlines will cut back on airline purchases.

With regard to the Northwest, Shrontz has not seen the real estate problems that have been experienced in other parts of the country. In fact in the last month house prices in the Seattle area are up and default ratios have not exaggerated.

Prescription: Let's not talk ourselves into a recession by talking about it.

COMMERCIAL BANKERS

Purpose: to discuss the credit crunch with the President

William J. Brogan - The Talbot Bank of Easton, MD
Bennett A. Brown - Citizens & Southern Corporation, Atlanta, GA
John G. Medlin, Jr. - Wachovia Bank and Trust Company, N.A.,
Winston-Salem, NC
Thomas H. O'Brien - Pittsburgh National Bank, Pittsburgh, PA
John Reed - Citibank, N.A., New York, NY
Richard M. Rosenberg - Bank of America National Trust & Savings
Association, San Francisco, CA
Thomas D. Sayles, Jr. - Summit Bancorporation, Summit, NJ
Ronald G. Steinhart - Team Bank, N.A. - Fort Worth, TX
P.J. Vallandingham - First State Bank, Barboursville, WV
Dennis Weatherstone - Morgan Guaranty Trust Company of New York,
New York, NY

BANK REGULATORS

Purpose: to discuss credit crunch with the President

Alan Greenspan - Federal Reserve System
E. Gerald Corrigan - Federal Reserve Bank of New York
Robert L. Clarke - Comptroller of the Currency
L. William Seidman - Federal Deposit Insurance Corporation
Timothy Ryan - Office of Thrift Supervision

h. Griffith

THE PRESIDENT HAS SEEN



Office of the Governor
Topeka, Kansas 66612

MIKE HAYDEN
Governor of Kansas

November 1, 1990

1882/6
P/ Site
Talked on
phone
No reply required
CJB
11-9

Dear Mr. President:

Many thanks for sending Barbara to Kansas to help us in our bid for re-election. She was Fabulous! In fact, she was the one who should have been up for election, not me. She'd win by a landslide.

Patti and I wish to express our deep appreciation for all the support we have received not only from George and Barbara Bush, but from the entire Bush Administration.



Office of the Governor
Topeka, Kansas 66612

MIKE HAYDEN
Governor of Kansas

We certainly would not be where we are today without that support.

You're doing a fine job Mr. President, regardless of what the media polls claim.

It was Richard Nixon who said in 1971, "When Presidents begin to worry about images... they become like athletes, football teams and the rest, who become so concerned about what is written about them and



Office of the Governor
Topeka, Kansas 66612

MIKE HAYDEN
Governor of Kansas

What is said about
them that they don't
play the game well."

You're playing the game
just fine. I'm proud of
our Republican President &
our party. If it were
not for your leadership
and vision, we could very
well still face a lingering
budget crisis without
a plan.

God Bless you!

Mike Hayden

11:15 A.M. EST NEWS UPDATE

INFLATION (UPI) -- Wholesale prices soared 1.1 percent in October on another huge jump in energy prices..., the Labor Department said. Private economists expected an increase of 0.7 percent.

GULF/BAKER (Reuter) -- Secretary Baker said the Soviet Union was no more optimistic than the U.S. and several other countries that Saddam Hussein could be persuaded to pull his forces out of Kuwait peacefully. Baker said he expected U.S. allies would stand behind the U.S. politically and fight alongside American troops in the Persian Gulf if military action became necessary. In interviews with "Good Morning America" and "Today," he said, "They [Soviets] are not optimistic. Indeed, after having sent two diplomatic missions of their own to Baghdad I think it is fair to say they are disappointed in the lack of response that has been received."

(Moscow/AP) -- Saudi Arabia, Egypt and other Arab forces would fight alongside U.S. troops to liberate Kuwait from Iraq, a senior U.S. official said today near the end of a trip by Secretary Baker. However, the official said he was not sure whether France would go along.... "I don't know where the French would be," said the official, who briefed reporters under rules of anonymity.... Referring to Yevgeny Primakov..., the official told reporters, "They [the Soviets] sent an emissary and he was stiffed."

GULF/IRAQ (AP) -- ...Iraq's government-run newspaper Al-Jumhuriya said Iraq and France conducted secret talks that led to the release of more than 300 Frenchmen.... The paper said the talk between Iraqi Foreign Minister Aziz and former French Foreign Minister Claude Cheysson were endorsed by the French government.

GULF/SHEVARDNADZE (Moscow/UPI) -- Foreign Minister Shevardnadze said it may become necessary to use armed force to compel Iraq to leave Kuwait and indicated Kremlin agreement with the U.S. approach to the Gulf crisis. Secretary Baker, after separate meetings with Shevardnadze and President Gorbachev, also said the two superpowers had agreed that use of force cannot be ruled out.

GULF/BISHOPS (Los Angeles/AP) -- Roman Catholic Archbishop Roger Mahony offered qualified support to U.S. actions in the Gulf but urged the U.S. to consider the moral ramifications before resorting to force. In a letter to Secretary Baker, Mahony urged the Administration, "in continued cooperation with the United Nations, the Soviet Union, Arab states, and other nations, [to] stay the course of persistent, peaceful and determined pressure against Iraq."

LEBANON (Jerusalem/AP) -- Israel troops today attacked suspected Shiite Moslem guerrilla bases north of Israel's "security zone" in southern Lebanon after officials guaranteed the safety of Christians living nearby.... The bases were damaged and there were no Israeli casualties, the army said.

GORBACHEV (Moscow/UPI) -- Mikhail Gorbachev's popularity rating has slid to 21 percent, leading the influential Moscow News to conclude that he would probably not win a direct presidential election.

1:30 P.M. EST NEWS UPDATE

ORPHAN DRUG (Rita Beamish/AP) -- President Bush vetoed legislation designed to boost wider development of drugs that treat rare diseases and dilute monopoly opportunities for drug firms. Bush said in a statement he had "serious concerns" the measure would actually remove incentives for firms to develop new treatments.

GULF/SHIP BOARDED (Dhahran/Reuter) -- U.S. sailors boarded a Jordan-bound Sudanese freighter in the Red Sea Friday after it repeatedly ignored warning shots fired by warships enforcing the U.N. embargo, a Navy spokesman said. He said sailors from the guided missile cruiser USS Philippine Sea boarded the Umdurman after it was first intercepted. He said they met no resistance, and it was allowed to continue after a search.

GULF/CHENEY (AP) -- Secretary Cheney said new U.S. troop deployments to the Gulf will include half of all American land forces in Europe. That means as many as 200,000 more Americans are being sent to the area. Cheney's remark to the Conservative Leadership Conference indicated that President Bush intends to have about 430,000 U.S. forces in the area within weeks -- matching the current level of Iraqi troops in and around Kuwait. "The additional increment will give us the capacity to undertake offensive action should that become necessary," Cheney said. He suggested in comments to reporters later that Bush's new order means the forces there now will not be rotating back to the U.S. early next year as Cheney had tentatively planned.

GULF/SUPPLY LINES (Dhahran/Reuter) -- The new buildup of U.S. troops in the Gulf will strain supply lines already hard pressed to channel food and spare parts to far-flung desert bases, a U.S. general said Friday. But Maj. Gen. William Pagonis, deputy commander of logistics for the Army there, said the challenge of getting the new troops in position and supplying them could be met.

GULF/GORBACHEV (Bonn/Reuter) -- Moscow and Washington will not be split over the Gulf crisis and are still working for a political solution, President Gorbachev said. "We are all thinking of the same thing -- we must do all we can to exclude a military solution," he said before meeting Chancellor Kohl here.... "We are right to determine to resolve it in this way. But anyone who hopes to split us, to drive a wedge in our relations, their hopes are not justified," he said.

GULF/IRAQ (U.N./Reuter) -- Iraq suffered a crushing rebuff at the U.N. Friday when the General Assembly's steering committee rejected a request by Baghdad for the body to debate the U.S. military buildup in the Gulf. After speeches by 10 opponents of the Iraqi move, the committee approved without a vote a Canadian motion to take no action on the request.

(Baghdad/Reuter) -- Iraq denied it was importing medicines to make chemical or biological weapons. A Foreign Ministry spokesman rejected suggestions at the U.N. that Baghdad was amassing supplies sufficient for 10 years' normal use for its war machine. INA quoted a Foreign Ministry spokesman as saying: "Iraq categorically denies this prejudiced allegation."

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News Summary

OFFICE OF THE PRESS SECRETARY

FRIDAY, NOVEMBER 9, 1990 -- 6 A.M. EST EDITION

TODAY'S HEADLINES

INTERNATIONAL NEWS

BUSH ORDERS 200,000 MORE TROOPS TO GULF -- President Bush Thursday ordered U.S. forces in the Persian Gulf increased by about 200,000, a massive new deployment he said would ensure that an "offensive military option" is available against Iraq if he needs it.

(Washington Post, USA Today, AP, Scripps Howard)

SOVIETS GIVE QUALIFIED APPROVAL TO USE OF FORCE -- The Soviet Union is giving its qualified approval for the use of military force to drive Iraqi invaders out of Kuwait if the economic embargo and other peaceful pressure tactics fail.

(Washington Post, AP)

NATIONAL NEWS

BUSH CONCERNED ABOUT ECONOMIC 'TOUGH TIMES' -- President Bush expressed growing concern over the deteriorating economy Thursday amid indications that senior Administration officials now fear that a recession cannot be avoided.

(Washington Post)

BUSH AGAIN VOWS NO NEW TAXES -- President Bush said Thursday he was disappointed in the results of Tuesday's elections and resurrected his pledge not to raise taxes.

(Copley, UPI)

NETWORK NEWS (Thursday evening)

GULF -- President Bush declared that the defensive force he sent to the gulf is now in place and capable of holding Iraq at bay.

BENNETT -- Tom Brokaw interviews outgoing drug control policy director Bennett.

ELECTIONS -- In his first comments on the elections, President Bush said he didn't do as well as he'd have liked.

INTERNATIONAL NEWS....A-1

NATIONAL NEWS.....A-8

NETWORK NEWS.....B-1

FOREIGN MEDIA.....C-1

INTERNATIONAL NEWS

BUSH ORDERS 200,000 MORE TROOPS TO GULF

President Bush Thursday ordered U.S. forces in the Persian Gulf increased by about 200,000, a massive new deployment he said would ensure that an "offensive military option" is available against Iraq if he needs it.

The increase would raise the total U.S. force in the region to about 430,000. The new deployments include three aircraft carrier battle groups and a battleship, half of the tank divisions now in Europe and one from the U.S., plus about 45,000 Marines and 20,000 naval personnel. The additional ground forces announced Thursday could add up to 150,000 military personnel. Also called up for training Thursday were about 12,000 Army National Guard members, who will not be sent to the gulf unless senior military leaders are certain of their combat readiness....

Bush, in making the announcement with Secretary Cheney at his side, brushed aside a question of whether the U.S. was going to war, saying "I would love to see a peaceful resolution to this question."

But he said President Saddam should withdraw from Kuwait without condition, and he and Cheney refused to rule out further increases in troop strength. If Thursday's announcement "convinces him, so much the better." (Ann Devroy, Washington Post, A1)

Bush Orders More Troops To Gulf, Enough To Attack Iraq

President Bush all but said the nation is going to war against Iraq as he announced deployment of significantly higher numbers of soldiers to the Persian Gulf Thursday.

With Bush's advisers saying privately there is not much longer than two months at most for President Saddam to pull out of Kuwait, Bush indicated he hopes Saddam "comes to his senses" but that there is no room for negotiation.

Pointedly, Bush said U.S. deployment of 230,000 troops in the gulf is sufficient to "defend successfully against any further Iraqi aggression."

That clearly indicates the additional troops -- which could number more than 100,000 -- are being sent to drive Iraqis out of Kuwait.

Bush said the increased size of Operation Desert Shield should be sufficient to "ensure that the coalition has an adequate offensive military option should that be necessary to achieve our common goals." (Ann McFeatters, Scripps Howard)

U.S. Shifts To 'Offensive'

President Bush -- confronting Saddam Hussein with "a foe he can't possibly manage militarily" -- Thursday ordered about 100,000 more combat troops mobilized.

Bush said his action would guarantee "an adequate offensive military option, should that be necessary," to force Iraq out of Kuwait. In response, Baghdad issued a blistering warning through the government newspaper al-Jumhuriya: "If the fire of aggression is unleashed against Iraq...flames will...burn everything in every direction." Asked if the U.S. is going to war, Bush said, "I would love to see a peaceful resolution to this question. That's what I want."

(Jessica Lee, USA Today, 1A)

New Wave Of U.S. Forces Gives Bush Clear Offensive Option

President Bush is ordering more than 150,000 additional American troops to the Persian Gulf, a move that nearly doubles U.S. firepower in the region and marks a fundamental shift toward an offensive military stance.

Bush said Thursday in announcing the new wave of troop deployments for Operation Desert Shield that he still hoped to get Iraq out of Kuwait without starting a war. But he said he wanted an "adequate offensive military option" in case U.N. economic sanctions and diplomatic pressures against Iraq prove futile.

Analysts said the move brought the U.S. closer to war with Iraq. "The Iraqis, in effect, are being put on notice that they will be attacked" unless they withdraw from Kuwait under Bush's terms, said Frank Gaffney, director of the Center for Security Policy and a former Pentagon official....

"If this movement of force is what convinces [Saddam], so much the better," Bush said. He added later, "When he surveys the force that's there...he will recognize that he is up against just a foe that he can't possibly manage militarily." (Robert Burns, AP)

NEW DEPLOYMENT SIGNALS U.S. SWITCH TO OFFENSIVE

The additional U.S. soldiers, sailors and aircrews to be deployed to the Persian Gulf by early next year indicate the magnitude of the military problem posed by Iraq's occupation of Kuwait and the caution of American military leaders in preparing to confront the Iraqi army, Pentagon officials said Thursday night.

The new deployment, a turning point from the U.S.'s defensive posture of the first three months of the crisis to an offensive posture by early next year, calls for a replay of the massive sealift and airlift that consumed the U.S. military during August, September and part of October. It also means the U.S. commander in the gulf, Gen. Schwarzkopf, would probably not be ready for a full-scale attack on the Iraqi army -- if ordered -- until well after the New Year, officials said, giving the trade embargo against Iraq additional time to work.

Secretary Cheney told reporters at the Pentagon Thursday that he did not think the new forces could get to the region any earlier.

"The additional military capability that's now being added clearly will give us the ability to conduct offensive military operations should that be required in the months ahead," Cheney said.

(Patrick Tyler, Washington Post, A1)

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ANALYSTS SAY U.S. ON 'WAR TRAJECTORY'

Only one question now looms over the Persian Gulf crisis: Who's going to blink?...

"We are on a war trajectory," says risk analyst Brian Jenkins of Los Angeles. "Nothing since (Iraq's invasion of Kuwait) has altered that course. There has been a steady and continuing buildup of forces. The string of resolutions in the U.N. have marched in that direction, and there is no evidence the Iraqis are preparing to withdraw. We are either going to war," he says, "or we're doing our best to persuade the Iraqis that we are going to war." Military analysts agree with that conclusion:

Additional troops are "convincing evidence to Saddam that we mean business," said Graham Fuller, Rand Corp. senior political scientist. "Clearly, the United States has enough troops in the region that it will now guarantee that Saddam knows we're not bluffing."

"These actions are part of the important psychological warfare game," says David Johnson of the Center for Defense Information. "It's like Vietnam was escalation without the war. The more military power we put over there, the more we think our chances of victory improve." (Timothy Kenny, USA Today, 1A)

DEPLOYMENT ONE OF LARGEST BY U.S. SINCE WORLD WAR II

President Bush's order mobilizing an additional 200,000 troops to the Middle East Thursday represents one of the largest deployments of U.S. fighting forces since World War II, Pentagon officials said Thursday.

When completed, the Army will have 68 percent of its forces overseas, and 34 percent of them will be in the Operation Desert Shield area, a percentage of total forces that an Army spokesman said was higher than the ratio deployed in either the Vietnam or Korean wars.... Although Defense Department officials would not discuss the current strength of the additional units, it was clear from the unit names that the Army, Marine Corps and Navy are moving some of their largest and best-trained offensive forces into the region. (Bill McAllister and Dana Priest, Washington Post, A34)

SOVIETS GIVE QUALIFIED APPROVAL TO USE OF FORCE

MOSCOW -- The Soviet Union is giving its qualified approval for the use of military force to drive Iraqi invaders out of Kuwait if the economic embargo and other peaceful pressure tactics fail.

But even as Secretary Baker accomplished this goal in talks with Foreign Minister Shevardnadze, it became apparent that Moscow would be a very reluctant partner to such a move in the U.N.

Shevardnadze told reporters Thursday that the use of force probably could not be ruled out. But later, when he was asked to repeat the assertion, he laughed and said: "I won't say."

Meanwhile, the Soviet foreign minister said there were problems concluding a treaty to reduce NATO and Warsaw Pact tanks, antiaircraft artillery and other non-nuclear weapons in Europe.

U.S. officials, who demanded anonymity, said the problems were more than technical in nature and that Baker would leave behind arms control experts to keep working on them when he flies to London and Paris later Friday to continue his consultations on the Persian Gulf situation.

(Barry Schweid, AP)

Soviets Say Gulf War May Be Needed

MOSCOW -- Foreign Minister Shevardnadze warned Thursday that although the Soviet Union wants a political settlement of the Persian Gulf crisis, military force may be required to expel Iraq from Kuwait if a peaceful solution cannot be found.

Speaking to reporters after a long day of meetings with Secretary Baker, Shevardnadze said, "As for the question of whether or not the use of force could be ruled out, well, probably this could not be ruled out, and a situation may emerge which effectively would require such a move."...

Shevardnadze said the Soviet Union would insist that decisions about using force be made under the auspices of the U.N. Security Council.

(David Hoffman, Washington Post, A1)

NEW TROOP DEPLOYMENT ELICITS MUTED PUBLIC RESPONSE

Two days after voters told pollsters that the threat of war in the Persian Gulf was one of the least important issues on their minds, President Bush's announcement Thursday of new troop deployment and additional reserve call-ups drew a muted response.

The news had been widely expected, and the announcement was issued at a time when many senior members of Congress were on vacation and financial markets had closed. Only Sen. Pell criticized the President's move. Some members of the Democratic leadership in Congress (including Speaker Foley and Sen. Mitchell) declined to say anything.

Bush's news conference was originally scheduled for 3 p.m. Thursday, but was rescheduled for an hour later, after the close of oil trading at the New York Mercantile Exchange.... White House officials said the market's schedule was not the reason for the delay, but in any case, the change nullified any immediate impact on oil prices....

Pell said in a statement that he was "concerned that the Administration is moving to establish an offensive capability in advance of a United Nations resolution authorizing offensive action." He said Bush "would be badly advised to go to war without clear prior expression of congressional support. I am not yet persuaded that the expected gains from offensive action would be worth the likely high loss of American lives and greatly increased economic costs."...

But Rep. Hamilton said the President's action "makes sense."... "Now the President is trying to send a much clearer message to the Iraqis." (Thomas Lippman, Washington Post, A30)

FURTHER WAR NEWS PUSHES UP OIL PRICES

Unconfirmed rumors that the U.S. would attempt to resupply its besieged embassy in Kuwait, using military force if necessary, swept oil markets, quickly driving U.S. crude oil prices up about \$1.50 a barrel.

From a low on the day of \$34 a barrel at midday, the price of the American benchmark West Texas Intermediate crude for December delivery shot up \$1.53 to end Thursday on the New York Mercantile Exchange at \$35.53 a barrel, 22 cents higher than Wednesday's closing price. Rumors hit the trading floor around midday that President Bush was going to announce in his White House news conference that the U.S. would try to resupply its embassy.

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(Walter Andrews, UPI)

SOVIET: SADDAM'S FEARS MAY BLOCK PEACEFUL SOLUTION

MOSCOW -- President Gorbachev's personal envoy on the Persian Gulf crisis was quoted Thursday as saying that President Saddam might be avoiding a compromise over Kuwait because he fears that hard-liners in the West are determined to destroy his regime in any event.

Yevgeny Primakov, a member of Gorbachev's presidential council, raised the possibility of concluding a system of nonaggression pacts with Iraq as part of a comprehensive settlement of the crisis. He also suggested an Iraqi pullout from Kuwait should be followed by specific steps to address other regional issues, including the Arab-Israeli conflict.

Primakov's comments came in an interview with the weekly Literaturnaya Gazeta that provided the most detailed account yet of the way Soviet leaders would like to see the crisis resolved. Primakov, who has held two rounds of talks with Saddam over the past month, said he was convinced that a peaceful solution to the crisis remained possible. (Michael Dobbs, Washington Post, A31)

MORE STOCKPILES NEEDED, THREE MARINE GENERALS SAY

The U.S. military supply line in the Persian Gulf is showing signs of strain and military stockpiles should be increased before any American offensive is launched against Iraq, three senior U.S. Marine generals have warned in the past week.

The generals also cautioned that war in the gulf would be bloodier than many Americans may realize. "If we have to do anything militarily, it's going to cost American lives. We ought to all be sitting and praying that the sanctions and the diplomatic process win out," Lt. Gen. Ernest Cook, commander of the Marine Corps Combat Development Command, said in an interview at Quantico Marine Corps Base....

Since Operation Desert Shield began in early August, the U.S. has moved hundreds of thousands of tons of supplies to the gulf. But the intensity and violence of modern warfare mean that stockpiles of ammunition, spare parts and other material would dwindle quickly if all-out combat erupts.

(Rick Atkinson, Washington Post, A1)

U.S. FEARS KUWAIT BOATS WILL ATTACK IRAQ

Kuwaiti patrol boats that escaped Iraqi occupation are prepared to launch anti-ship missile attacks against Iraq, U.S. officials said.

But U.S. military officials are urging the exiled Kuwaiti government, which is based in Saudi Arabia, to refrain from attacks. They fear a naval skirmish could inflame the tense military standoff in the Persian Gulf region and trigger war.

"These guys want war because they want to reclaim their country," said one U.S. official. "If they can spark a war, I'm sure they'd like to do it."

"We are urging restraint," a second official confirmed....

Each of the larger West German-made missile boats are armed with four French-made Exocet MM-40 anti-ship missiles, the officials said. The advanced Exocets, a cruise missile with a range of about 43 miles, are regarded as one of the most effective anti-ship weapons.

(Bill Gertz, Washington Times, A9)

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TOP IRAQI GENERAL REPORTEDLY REPLACED

BAGHDAD -- Iraqi military sources said Thursday that President Saddam fired his army chief of staff last month and replaced him with one of the commanders who led Iraqi troops to victory in the decisive Faw offensive against Iran in 1988.

The Iraqi sources said Nizar Khazraji was fired as chief of staff about three weeks ago. In his place, they said, Saddam named Gen. Hussein Rashid, who had been deputy chief of staff for operations.

Meanwhile, Saddam Thursday ordered the release of 50 more Westerners -- 20 Germans, 15 Italians, 10 Dutch and 5 Britons -- the official Iraq News Agency reported. It called the move a response to a "plea by Willy Brandt," a former West German chancellor who is visiting here.

In Washington, a U.S. government analyst said the firing of Khazraji "appears to be a result of (the general's) opposition to Saddam's policy regarding Kuwait," including the Aug. 2 invasion, Washington Post staff writer Jeffrey Smith reported. The analyst did not disclose his evidence.

(Nora Boustany, Washington Post, A29)

IRAQ'S PRE-INVASION SCRAMBLE FOR FUNDS
HAS CUSHIONED IMPACT OF SANCTIONS

LONDON -- Two days before President Saddam invaded Kuwait, telexes went out from the Central Bank of Iraq to correspondent banks in the Middle East and Europe requesting that they transfer funds from their Iraqi accounts to the Central Bank of Jordan, according to informed Arab banking sources.

No one knows for sure how much Iraq collected -- estimates range from less than \$100 million to \$400 million. But financial analysts say the telexes were part of a feverish scramble by Iraq to gather hard currency, gold and other liquid assets to keep its war machine and its civilian economy functioning in anticipation of international sanctions.

Those sanctions have turned out to be among the most airtight and comprehensive in modern history, say experts, who add that the Iraqi economy is slowly grinding down. Yet Iraq continues to function: Western diplomats and journalists in Baghdad say that, as best they can determine by limited monitoring, the shelves of the city's markets remain stacked high with food-stuffs, factories still operate and, most important, the armed forces remain well equipped with weapons and spare parts.

(T.R. Reid, Washington Post, A29)

IRAQ WELCOMES HAPPY CAMPER AS WAR PROTESTERS

LONDON -- Iraq said Thursday it will allow the former pop singer Cat Stevens and other anti-war protesters to set up "peace camps" in Kuwait as a buffer between Iraq's army and the U.S.-led force in Saudi Arabia.

Iraqi Embassy Press Attache Naeel Hassan said applicants included British Moslems and non-Moslems. He would not give any numbers but said there were more than 30....

A lot of British people have offered to set up peace camps between the two sides," Mr. Hassan said. "They said they wanted to stay indefinitely. Iraq does not have any objection to this plan."

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(Reuter, Washington Times, A9)

**KOHL PROMISES POLISH BORDER TREATY NOW
Germany Also Agrees To Drop Visa Requirements
For Poles Before Christmas**

FRANKFURT AN DER ODER -- Chancellor Kohl, who provoked foreign fears of German unification earlier this year when he refused to guarantee the German-Polish border, promised Thursday both to sign a border treaty and ease visa requirements for Poles by Christmas.

Meeting with Polish Prime Minister Mazowiecki in this divided border city, Kohl reversed strategy and risked angering his right-wing supporters by agreeing to advance the signing of a border treaty by several months.

"Friendship cannot be commanded," Kohl said at a news conference with Mazowiecki. "Friendship in private life and between peoples can only grow and it is about time we did something in that direction."
(Marc Fisher, Washington Post, A20)

CHANDRA SHEKHAR IS NEW INDIAN PRIME MINISTER

NEW DELHI -- Veteran socialist Chandra Shekhar said Friday he was India's new prime minister and would be sworn in Saturday.

Chandra Shekhar told reporters that President Ramaswamy Venkataraman "has asked me to form the government" in succession to Vishwanath Pratap Singh, the man he helped topple by splitting their Janata Dal party.

Chandra Shekhar, who was promised the support of Rajiv Gandhi's opposition Congress party, said he would have a majority in parliament by the end of the month.
(Reuters)

**2 MORE JOURNALISTS ARE KIDNAPPED IN COLOMBIA
Medellin Cartel, Already Holding 7, Presses
For Pardons And Halt Of Extradition**

BOGOTA -- Suspected members of the Medellin cocaine cartel have kidnapped two more journalists, both members of prominent families, in what authorities say is an effort to increase their leverage in pressing for an amnesty and an end to extradition.

(Douglas Farah, Washington Post, A22)

U.S. LOBBIES ON ZIONISM RESOLUTION

U.N. -- U.S. Ambassador Pickering said Thursday he was lobbying all nations, including Arab states, to repeal a 1975 U.N. resolution equating Zionism with racism but indicated there were not enough votes yet to overturn the measure.

"The consensus, including the view of Israel, is that the time was not now ripe or opportune to seek reversal," he said. "But we should always keep this issue before us, we should always keep the time open at which we might move," he added.

Pickering, who called the 1975 resolution "anti-semitic" and a "slander of mammoth proportions," was speaking at a conference sponsored by the American Jewish Committee to mark the 15th anniversary of the resolution's adoption.
(Reuters)

NATIONAL NEWS

BUSH CONCERNED ABOUT ECONOMIC 'TOUGH TIMES' President Plans Meetings To Discuss Stimulating Growth, Easing Families' Burdens

President Bush expressed growing concern over the deteriorating economy Thursday amid indications that senior Administration officials now fear that a recession cannot be avoided.

Sources said Administration officials are discussing ways to try to stimulate the economy that are likely to produce another partisan struggle with the Democrats in Congress.

At a news conference, Bush warned that the nation is "in some tough times now" economically and said he would begin a series of meetings with Administration officials and outside advisers to determine what he could do "to soften the blow" on families "or to stimulate economic growth."

Michael Boskin, Bush's chief economic advisers, acknowledged the problems Thursday, saying of the economy that "at best it is in a lull" and could last beyond mid-1991....

Bush will meet with his top economic advisers Friday at Camp David.... The concern within the Administration reflects fears that the newly enacted deficit-reduction package is no longer adequate to head off a recession.

(Dan Balz, Washington Post, A4)

BUSH AIDE: ECONOMY IN LULL 'AT BEST' Boskin Close To Saying U.S. Starting Recession

Michael Boskin, President Bush's chief economic adviser, Thursday came close to saying the U.S. economy is entering a recession, acknowledging that "at best it is in a lull" that is likely to last until after mid-1991.

He said that after a long period of sustained growth, the economy is clearly in a slowdown that had begun even before the Aug. 2 Iraqi invasion of Kuwait. The impact of higher oil prices would begin to be felt significantly in this quarter and the first three months of next year, Boskin said in a speech here to the American Council for Capital Formation.

Given the uncertainty about the outcome in the Persian Gulf, "we can't see how long or deep the oil shock will be," he said.

A new Administration economic forecast, to be completed by the Council of Economic advisers next week, envisions the possibility of the economy "slipping into negative territory" in the current quarter, Boskin said.

(Hobart Rowen, Washington Post, F1)

BUSH AGAIN VOWS NO NEW TAXES

President Bush said Thursday he was disappointed in the results of Tuesday's elections and resurrected his pledge not to raise taxes.

"What I think we're going to see coming down the pike at me...is a whole wide array of tax proposals out of the Democrats," Bush said. "And they're going to do it over my dead veto.... It ain't going to happen, I'll guarantee you."

The President, making his first public assessment of Tuesday's voting, said Republicans "didn't do as well as I had hoped.... I'm not talking victory because I'm very disappointed in the way some of the races turned out."... "I think people feel they're taxed too much. I happen to believe that, and I've said that," Bush said.

"We had this one compromise, and that just reinforced my views.... I don't think what I did was popular with anyone, but like the umpire, you've got to call them as you see them.... But I made very clear to the American people I was concerned with some of the provisions in the budget package. I happen to believe in the long run it's going to prove in the best interests of the country."...

The President said he was "concerned about the economic situation," calling it a "slowdown," not a recession.

(Benjamin Shore, Copley)

Bush Concedes Tax Issue Was Damaging

President Bush claimed limited damage to the GOP in the midterm elections but acknowledged that his own switch on taxes was costly and he now has "some remedial work" to do before 1992.

Sizing up the elections at a news conference Thursday in which he also refused to say if he would seek re-election in two years time, Bush pointed to anti-tax sentiment as pivotal in a number of races where incumbents, especially governors, bore the wrath of voter discontent.

"I think there is a lesson. I think people feel they are taxed too much," he said.

In a candid exchange with reporters, Bush also made clear that he would move to minimize the impact of the issue in the future, promising a flurry of vetoes and "a whale of a fight" if Democrats resort to any more tax increases in the future.

"I don't think it was popular what I did, with anybody. But I think it was the right thing to do," Bush said. "So I have some remedial work to do, I think."

Specifically, he pledged that his going along with tax increases in this year's budget agreement...was a one-time compromise. And he held out the effective threat of his veto pen, already wielded 16 times, if Democrats try again.

"Can I make the promise that I won't support (tax increases)? Absolutely," he told reporters. "But sometimes you run into some realities, but I'm girding up my loins to go into battle to beat back the tax attempts that I think are coming."

(Lori Santos, UPI)

THAT NO-NEW-TAX THING: THIS TIME BUSH SAYS HE REALLY MEANS IT

Forget his lips. This time any tax increase will come "over my dead veto," says George Bush, demonstrating anew his knack for anti-tax phrasemaking.

But is it either good politics or good policy?

Bush felt a need to back away from his hard-line opposition to taxes last spring when he entered budget negotiations with Congress. As policy, "read my lips" was not working.... Abruptly, and to the astonishment of many fellow Republicans, Bush rejoined the anti-tax ranks.

His timing was puzzling. Congress is not in session and won't be until January. No one is going to be rushing into the Oval Office with a tax bill and demanding he sign it. His declaration sounded more like politics than policy, more like his statement of where he wanted to be in his 1992 re-election campaign. Republicans who'd never abandoned the tax gospel did not welcome Bush back.

"Who's he kidding?" asked Lyn Nofziger, White House political director under Ronald Reagan. "He's got a terrible problem. He's got to re-establish his credibility, because at this moment he has none."

(Donald Rothberg, news analysis, AP)

**BUSH TAKES NO STAND ON BALLOT PLAN
Program Targeted N.C. Black Voters**

President Bush, who has said he wants to increase black support for Republican candidates, refused Thursday to say whether he approves of a North Carolina Republican Party "ballot security" program that warned voters in heavily black precincts that they faced fines and jail terms if they cast ballots at the wrong location.

"I'm sorry, I can't help you on the details of a race for the U.S. Senate or a governor's race or a congressional race," Bush said at a morning news conference. "I just have not gone into that." Asked if he knew about the controversy that emerged in the final days of the bitter Senate contest between Sen. Helms and Harvey Gantt, who is black, Bush said:

"Yeah, just what I've read in the papers. I read a lot of charges and countercharges, and I've heard some people say it's bad and I've heard others say it's not.... It depends on how it is done. And I just don't know enough about what you're trying to get me into to get into that."

(Thomas Edsall, Washington Post, A13)

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BUSH AND BLACKS CITED AS FACTORS IN LOW TURNOUT ON ELECTION DAY

Republican candidates paid a price for President Bush's budget deal and Democrats were hurt by declines in big-city black voting, according to analyses of the midterm election completed Thursday. Millions of voters apparently expressed their anger at politicians of both parties by staying away from the polls.

On the budget question, exit polls showed Democrats and Republicans ran essentially even among those who approved the Bush-engineered pact with Congress, but Democrats got a 5 to 4 advantage among those who disapproved.

But many more turned their backs on members of both parties and on incumbents and challengers alike. Curtis Gans, director of the Committee for the Study of the American Electorate, said the indicated overall turnout rate of 36.4 percent matched the previous low of 1986 and showed that the long-term decline in voting participation, now three decades old, is continuing. An estimate by Voter Research and Surveys said turnout actually fell to 35 percent. (David Broder and E.J. Dionne, Washington Post, A12)

DESPITE TEXAS AND FLORIDA, ELECTIONS ENCOURAGED GOP

Despite some losses in one of the most turbulent elections in years, Republicans made some strategic gains in traditional Democratic territory that will strengthen the GOP in 1992, analysts in both parties said Thursday.

The chief focus by many commentators on election night was the Democrats' stunning recapture of the Florida and Texas governorships, GOP losses in Congress and the negative impact it all might have on President Bush's re-election chances.

But a broader post-election assessment paints a much different picture, the analysts said.

"You can make a very strong case that the Republicans will not only be more competitive as a result of this year but that they will have an advantage in 1992 over the Democrats," said Gary Koops, communications director for the National Republican Congressional Committee.

"Republicans showed some surprising strength in the Democratic heartland" that does not bode well for the Democrats' hopes of winning the White House, said Michael McCurry, former chief spokesman for the DNC. (Donald Lambro, Washington Times, A4)

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BENNETT EXITS DRUG WAR WITH POTSHOTS
Rep. Rangel A 'Gasbag,' Washington a 'Basket Case'

Announcing his resignation Thursday at a White House ceremony, national drug control policy Director Bennett ridiculed "potheads" in Alaska, called Rep. Rangel a "gasbag," and described the city of Washington as a "basket case."

He also offered a new explanation for the apparent failure of his efforts to curb drug related violence in the nation's capital: Mayor Barry.

Bennett said he always had a "hunch" about Barry's drug use and deliberately excluded him from initial planning sessions to develop a federal anti-drug strategy for the city. "Did the fact that the mayor used cocaine and crack make it easier or harder? It made it harder," Bennett said. "I didn't know it at the time. But I suspected that his interest in the topic was different from mine."

Bennett's departure in many ways typified his combative 20-month performance in a high-profile position that many critics had said from the start lacked real authority....

"I think he's kind of tired and worn out," one senior Administration official said. "The (anti-drug) strategy is in place. Now, it's nuts and bolts implementation, and that's not where his interests lie."

(Michael Isikoff, Washington Post, A11)

Bush Bids Farewell To Drug Czar Bennett

President Bush and his feisty drug czar William Bennett went out of their way Thursday to deny that Bennett is resigning out of boredom, frustration, politics, fear for his safety or lack of limelight.

At a joint press conference with Bennett, Bush said he had read "silly speculation" about Bennett's decision to depart after 20 months of waging war on drugs.

"He has my total confidence," Bush said. "There's no internal politics that caused him to make this decision. I know the kind of sacrifice that anyone serving this country goes through, not just in the controversy of the job but in terms of financial aspirations for their families that need to be educated."

Bennett, 47, will make speeches at a reported fee of \$30,000 each. He also said he is going to the American Enterprise Institute, a conservative think tank, to write books on drugs and education.

(Ann McFeatters, Scripps Howard)

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PRICE OF CLEANER AIR SET AT \$50 BILLION PLUS JOBS, BUSINESSES

The revised Clean Air Act will add \$50 billion to the annual price of cleaning up the nation's air, cost 600,000 jobs and force many small businesses to shut down, an industry watchdog group claims.

William Fay, administrator of the Clean Air Working Group, said his organization supports the Clean Air Act now awaiting President Bush's signature. But he noted it will exact a dear price from industry, small business and labor.

According to his organization's economic analysis, the new law will add \$50 billion a year to the \$32 billion the nation currently spends to meet existing federal and state clean air laws.

The costs "will be passed on to consumers in the form of higher prices of almost all consumer products," he said.

The Clean Air Working Group is an ad hoc organization composed of representatives from the manufacturing, auto and steel industries.

(Ronald Taylor, Washington Times, A7)

NORIEGA TO REQUEST DISMISSAL OVER APPARENT EAVESDROPPING

MIAMI -- Lawyers for deposed Panamanian leader Manuel Noriega said they plan to ask that charges against him be dropped after discovering Thursday that the government apparently has been eavesdropping on telephone conversations between them and Noriega.

CNN broadcast excerpts Thursday morning of taped telephone calls that were made by Noriega from his jail cell here and included conversation between him and an unidentified man about rebuilding Noriega's power base in Panama.

But U.S. District Judge William Hoeveler, acting on a request by Frank Rubino, Noriega's primary lawyer, temporarily barred CNN from airing tapes later Thursday of conversations between Noriega and his defense team....

Rubino told Hoeveler that Noriega has been stripped of the attorney-client privilege, which protects confidentiality of conversations between lawyers and clients.

(Laura Parker, Washington Post, A3)

GOVERNMENT DEFENDS TAPING OF NORIEGA AND LAWYERS

MIAMI -- The federal government claims recordings it made of calls between deposed Panamanian Gen. Noriega and his lawyers were legally obtained, questioning if Noriega told guards who he was speaking to.

"If these tapes are the product of telephone monitoring by the Bureau of Prisons, they were legally obtained," Assistant Attorney General Robert Mueller said in Washington. "Such monitoring is permitted by law and is part of the BOP's long, established policy. Noriega, like all prisoners, signed an acknowledgement of monitoring."

(Jeff Hardy, UPI)

**EMBATTLED SEN. CRANSTON, CITING HEALTH, WILL RETIRE
S&L Probe Figure Also Gives Up Whip Job**

Sen. Cranston, the Senate's second-ranking Democratic leader and a key figure in the "Keating Five" ethics investigation, announced Thursday that he has prostate cancer and will not seek reelection as majority whip next week or election to a fourth term in the Senate in 1992.

In a statement from his Washington office, the 76-year-old Californian said his physicians regard the cancer, which was confirmed Oct. 15, as "apparently totally curable" but say it requires immediate treatment, possibly including surgery or radiation therapy.

(Helen Dewar, Washington Post, A1)

ATWATER TO HEAD GOP FOR TWO MORE YEARS

Lee Atwater, once counted on by rank-and-file Republicans to keep President Bush from making political missteps, has decided to lead the national Republican Party for another two years....

RNC Chief of Staff Mary Matalin announced Mr. Atwater's intention to stand for a second two-year term at a staff meeting Wednesday, the Washington Times learned.

Charlie Black, who has stood in for Mr. Atwater in recent months, confirmed Thursday that his longtime friend intends to rejoin the political fray.

"Lee has been getting better and better all the time and intends to stand for re-election in January," Mr. Black said.

(Ralph Hallow, Washington Times, A4)

EDITOR'S NOTES: "Navy Considers Retiring 3 Battleships, Hill Told," by Jeffrey Smith, appears in the Washington Post, A34.

"Catholic Bishops Raise Moral Questions About Use Of Force," by Laura Stepp, appears in the Washington Post, A36.

"Baker Sitting Out Global Warming Debate," by Michael Weisskopf, appears in the Washington Post, A25.

"President Bush Needs To Lead And The Democrats Need To Find A Leader, Four Political Seers Say," by James Perry, appears in the Wall Street Journal, A12.

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NETWORK NEWS

(Thursday evening, November 8)

IRAQ

ABC's Dianne Sawyer: President Bush tried to send Saddam Hussein this message Thursday: Come to your senses. To make sure the message gets through, Mr. Bush will send at least 100,000 more troops to the Persian Gulf and hundreds of planes and tanks and three more aircraft carriers. And for the first time, he said those troops will give the U.S.-led coalition the ability to attack, not just to defend. It is a major change.

ABC's Ann Compton: President Bush declared that the defensive force he sent into the Gulf three months ago is now in place and capable of holding Iraq at bay, though he raised the stakes.

(President: "I have today directed the Secretary of Defense to increase the size of U.S. forces committed to Desert Shield to ensure that the coalition has an adequate offensive military option should that be necessary to achieve our common goals.")

The main goal is to get Saddam to withdraw from Kuwait, something that economic sanctions and an international force of 300,000 troops has failed to do. The President made it clear that by sending new military might, he is sending Saddam a message.

(President: "I would think that when he surveys the force that's there, the force that's going, what other countries are doing in this regard, he will recognize that he is up against a foe that he can't possibly manage militarily.")

The President said he wanted Americans to realize that confronting Iraq is about more than just oil.

(President: "The consequences of our not doing so would be incalculable because Iraq's aggression is not just a challenge to the security of Kuwait and other Gulf nations, but to the better world that we all had hoped to build in the wake of the Cold War.") President Bush has not given up hope of ending the crisis without a shooting war and he does understand some allies want him to give the sanctions a little more time. But he's decided if it takes a bigger show of American military might to make Saddam change his mind, some much the better.

Sawyer: Mr. Bush gave the reasons for the new buildup of American troops in Saudi Arabia, but not the specifics. That job was left to the Pentagon.

ABC's David Ensor reports from the Pentagon on the force buildup, which will total more than 100,000 military personnel. The troops from Europe going to the Gulf will have 600-700 M1-A1 tanks. From the Navy, the battleship Missouri and three more aircraft carrier groups are going, most likely the USS America, the Ranger and the Teddy Roosevelt. From the Marines at Camp Lejeune, North Carolina, the Second Expeditionary Force plus a California brigade will go, along with more amphibious assault ships. Officials say there were be further forces needed later to replace those coming out on rotation. On top of this, three Army National Guard combat brigades will soon be called up: the 48th Infantry from Georgia, the 155th Armored from Mississippi and the 256th Infantry from Louisiana.

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Ensor continues: They'll go into training for possible deployment. Secretary Cheney says these deployments will not be completed before the first of the year, and he said there may even be more. (Secretary Cheney: "We have not put a cap on it, we haven't put a ceiling on it, we haven't ruled out any options, we haven't ruled out additional deployments and I don't plan to change that policy this afternoon.")

What this means is that an attack on Iraqi forces before January is not likely. By then, one third of all the Army's active forces will be in the Middle East along with about half the Marine Corps. Six of 14 carriers will be involved as well; a massive show of force designed to convince Saddam to withdraw from Kuwait or, if necessary, to force him to.

ABC's Bill Redeker reports from Saudi Arabia that both Saudi and American troops are confident that the extra troops will give them the offensive punch they now lack. They are frustrated because many American troops realize they will be here longer than many had expected. Front-line commanders watched the President's speech Thursday.

(Lt. Col. E.W. Chamberlain, U.S. Army: "We've got enough forces now to defend Saudi Arabia, but the United States, as usual, needs to deal from a position of strength. They're not moving. I think this is the next logical step.")

(Sgt. Maj. Dwight Hood, U.S. Army: "I think it's a good thing. I think we're getting the power we need over here.")

Saudis who watched the broadcast predicted Saddam would match the U.S. buildup.

(Mohammed Khayat, Saudi Ministry of Information: "...He is not going to stay with those numbers.")

So both Saudis and American troops here believe the President's announcement signals a longer commitment for the American presence in the Gulf. The fact that there was no announcement of a troop rotation plan frustrated some soldiers here.

Anthony Cordesman, national security advisor to Sen. McCain, says most of Iraq's tanks are not high grade. Only 2,000 can fight well. We're going to nearly match them in manpower but virtually all of our troops are going to be elite, highly trained combat troops. They only have about 130,000 truly first-line troops. This gives us the offensive capability to get in quickly, to fight decisively and to do so with limited casualties. Saddam has no more airpower, no more missiles. If he threw all of his Republican Guard units into the area he still would lack the strength to match the kind of forces the U.S. is deploying into the area. Strength is the best way of reducing casualties; we're almost going to double much of our air capability, too -- particularly our strike capability. That gives us the ability to reduce his forces with air power before we have to send in our land troops. The reports that Saddam is replacing the head of his military units with the head of his special guard unit signals that there may be serious problems within the Iraqi army; he also wants a man in he can absolutely trust to be as ruthless as possible and to prevent any kind of surrenders or withdrawals in the pressure of American forces.

ABC's John McWethy reports from the Soviet Union on Secretary Baker's meeting with President Gorbachev, which lasted for over two hours. The Soviets finally gave ground on increasing the pressure on Saddam. At a press conference, Foreign Minister Shevardnadze indicated that the use of military force was acceptable. The use of force probably could not be ruled out, he said, adding that a situation may emerge which effectively would require such a move. There also appeared to be a softening of Soviet objections to the U.S. proposal for a U.N. Security Council resolution authorizing the use of force in the Gulf. But Shevardnadze made it clear through a translator that Gorbachev was not yet ready to say yes to the idea.

(Reporter: "Is that a no, Mr. Baker?"

Baker: "No, I do not consider that a no, and let me simply say this was not intended to be a decision meeting.")
Shevardnadze advised reporters against looking for differences between the two countries' positions, implying the two sides were much closer than when the day began. Now, even Iraq's old friends are willing to admit that the only way to force Saddam to back down may be to fight.

Sawyers reports it appears Iraq is going to allow 170 more hostages to leave the country with former West German Chancellor Brandt. At least three of them are Americans, including Miles Hoffman, the man shot in the arm by Iraqi security forces several weeks ago.

(ABC-Lead)

NBC's Tom Brokaw: President Bush Thursday announced what we reported here Wednesday night: a major new troops buildup in the Persian Gulf to prepare for an attack on Iraq if that becomes necessary. The additional troops could be as many as 200,000. That would almost double the number already in place. One hundred and thirty thousand of those would come from more than three Army divisions, mostly in Europe. An additional 40,000 Marines and three aircraft carrier battle groups -- that's another 30,00 sailors.

NBC's John Cochran: The strategy is to squeeze Saddam Hussein harder while telling him he still has time to save himself by withdrawing. The president made it clear the U.S. already has enough troops to defend Saudi Arabia. Bush said the reinforcements he is sending enable him to go on the offensive -- to take the war to Saddam.

(President: "I think Saddam Hussein should fully, without condition, comply to the U.N. resolutions and if this movement of force is what convinces him, so much the better.")

But Saddam seems as unyielding as ever. He shuffled his military command, elevating a loyal officer to chief of staff and dumping a general who apparently opposed the invasion of Kuwait. The daily newspaper, a mouthpiece for Saddam, responded to reports of American reinforcements by threatening to turn the entire Arabian peninsula into ashes. Some tough talk, too, in the West from Britain's Margaret Thatcher.

(Thatcher: "Time is running out for Saddam Hussein. The implacable message from this house must be either he gets out of Kuwait soon or we and our allies will remove him by force.")

But the Iraqi ambassador to Britain said the allies are split into two camps: the hard-liners -- Britain and the U.S. -- and the soft-liners -- France, China and the Soviet Union.

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Cochran continues:

(Azmi Shafiq Al-Salihi, Iraqi Ambassador to Great Britain: "So to look them as to be in one position, I think, that is all.)

But President Bush said the allies are united, and Defense Secretary Cheney said he can safely transfer GIs from Europe to the Gulf because the Soviets are cooperative.

(Secretary Cheney: "Clearly, our ability to move forces out of Europe to support Desert Shield is a direct result of the fact that the threat level in Europe is down significantly.")

In the countdown to war, the President said it is not yet one minute till midnight, but he wants Saddam Hussein to know that the clock is ticking faster tonight than it was last night.

NBC's John Dancy reports from Moscow Soviet Foreign Shevardnadze gave Secretary Baker a qualified okay for the use of force in the Persian Gulf. But despite a day-long series of meetings that included a session with President Gorbachev, Baker failed to get a clear-cut endorsement from the Soviets to seek a U.N. resolution backing the use of force.

(Shevardnadze: "As to the question of whether the use of force will be ruled out, well, probably that could not be ruled out and a situation may emerge which effectively would require such a move.")

And Shevardnadze hinted that if such a situation arose, the Soviets would give a go-ahead for Security Council approval of it.

(Shevardnadze: "We should not doubt the ability of the Security Council to take wise and mature decisions, so I would advise against looking for some difference between the Soviet Union and the United States.")

The Soviets seemed Thursday to move a step closer to approving the use of force against Iraq, and they dropped a broad hint they would not block a U.N. resolution to approve it.

Brokaw reports Willy Brandt is expected to take out 200 hostages, most of them Germans but also five Americans. (NBC-Lead)

NBC's John Chancellor comments that a war party is forming in this country, saying a war in Iraq is inevitable. Gen. Schwartzkopf disagrees with that view, telling the New York Times there are other alternatives; the man from the Times said the General sounded dovish. Schwartzkopf described himself as owlsh -- wise enough to understand that you want to do everything possible to avoid war. It will take thousands and thousands of casualties if the war party has its way; Gen. Schwartzkopf's words deserve our close attention.

(NBC-6)

CBS's Dan Rather: President Bush ordered an open-ended deployment of more U.S. troops, tanks and ships to the Persian Gulf Thursday. This will nearly double the size of the American-led combat force in the region. When completed, this buildup is expected to put more than half as many troops around Iraq as the U.S. had in Vietnam at the height of that war.

CBS's Wyatt Andrews: In a striking new escalation of America's intentions and capabilities, the President Thursday committed enough new U.S. forces to drive Saddam Hussein out of Kuwait.

(President: "I have today directed the Secretary of Defense to increase the size of U.S. forces committed to Desert Shield to ensure that the coalition has an adequate offensive military option.")

Before Thursday, Mr. Bush had always stressed the defensive posture of the U.S. deployment, but in Thursday's announcement the President acknowledged that hasn't been enough to change Saddam's behavior. Mr. Bush seemed to say that if 230,000 U.S. troops dug in defensively had not gotten Saddam's attention, a force capable of invading Kuwait and Iraq should.

(President: "When he surveys the force that's there, the force that's going, what other countries are doing in this regard, he will recognize that he is up against a foe that he can't possibly manage militarily.")

Still, this new deployment is more than political message sending - it is a move to ensure that if there is war, the U.S. can win.

(Secretary Cheney: "We will not put an upper limit on this deployment. We've started the flow back in August, and what the President has directed me to do today is to assign additional units to go to the Gulf, and it is a considerable additional increment of U.S. force.")

Now if all of this looks like the United States is preparing for war, that is at the very least what President Bush wants Saddam Hussein to think. The President still insists he's looking for a peaceful solution to all of this, but has now concluded that the size of the U.S. force there now is not threatening enough to force that.

CBS's David Martin reports from the Pentagon on the deployment.

(Secretary Cheney: "It involved additional heavy divisions as well as naval and air forces...coming from both Europe and the United States.")

The deployment means an increase of nearly 1,000 tanks.

(Gen. Powell: "We are continuing the buildup with those sorts of heavy units uniquely qualified, trained and equipped to operate in this type of terrain against the sorts of forces that they might have to operate against.")

In addition to three more carriers, a battleship will also be sent along with 50,000 more Marines. When added to the 230,000 American servicemen already committed to Desert Shield, the U.S. will have nearly 500,000 men and women in and around Saudi Arabia.

(Secretary Cheney: "Given the size of the additional deployment that's involved here, we're talking about a significant additional period of time before all of those forces would be in theater, deployed and deemed combat ready.")

Cheney said he would give the National Guard units called up additional training before being sent to the front line.

(Secretary Cheney: "I want to be absolutely certain that before we send combat units drawn from the Guard and reserve, that they have had the opportunity for the additional training and workup that our people think is required so that they would be prepared to operate in the environment that they'd be sent into.")

To put this in perspective, the U.S. forces committed will be larger than the forces stationed in Europe at the height of the Cold War and nearly as large as the forces in Indochina at the height of the Vietnam War.

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CBS's Bill Plante reports from the Soviet Union on Secretary Baker's trip. Shevardnadze left no doubt that Moscow remains opposed to any unilateral U.S. action.

(Shevardnadze: "We must work within the framework of the Security Council and the United Nations.")

Baker has been hearing the same two messages at every stop on his trip: Give the sanctions another couple of months to work before you rush into war and, if it does come to war, make sure you get the blessing of the U.N.

Martin says that the deployment increases the chances for war because it is a use-it-or-lose-it force. It is too large a force to sustain over there for any lengthy period of time. So this removes the middle ground. Saddam is either going to have to withdraw or these forces are going to be used.

Andrews: The President perhaps did his weakest job Thursday explaining [the new deployment], and it's perhaps because he wanted to keep the real reasons for this guarded -- and that's not necessarily a bad thing. It is just the way he operates when he brings out troops of this nature. The overwhelming factor here, apparently to the President, is that he needs to be in a position where he needs to threaten war in order to force the peace, and realizes that after three months of this he hasn't done that so far. That appears to be the overwhelming factor for him. The one thing he cannot do is commit an insufficient force that if attacked today would lose big or would suffer the chance of losing big.

Rather: War for what? If it comes to war, what is the goal, what is the mission, what would be a win?

Andrews: As he showed in Panama, the goal would be to win overwhelmingly and, if possible, quickly.

Martin comments that Panama was a completely different situation. The statement you hear more and more from the administration is about separating Saddam from his chemical and biological weapons and his efforts to get nuclear weapons. They don't say how you do that, but obviously one way you do that is to attack facilities in Iraq. War is the last resort after you've tried everything else, but that seems to be the direction we're going in.

Rather: Did the President indicate that he would ask Congress for a declaration of war if combat becomes necessary?

Andrews: No, in fact just the opposite. He has promised and, in fact, followed through on his responsibility to consult with Congress. But in his last consultation with the congressional leadership he made it clear that if he had to act he might have to do that before he talks to them and certainly short of a declaration of war.

Rather reports Iraq will release 50 Westerners after Saddam's meeting with Willy Brandt.
(CBS-Lead)

BENNETT RESIGNATION

Brokaw reports Bill Bennett's remarks to the press upon his resignation were vintage Bennett.

(Bennett: "So far I have read that I am bored, restive, restless, tired, unhappy, moping about the lack of media attention, sulking about not being in the Cabinet, in a snit with John Sununu, all sorts of things that I've read about -- and being stampeded out of town -- none of which are true.")

Bennett had this to say about his opposition.

(Bennett: "Not only did some of the Democrats talk a better talk than they are prepared to play; we play a better game than they talk.")

And one critic in particular, Rep. Rangel.

(Bennett: "Mr. Rangel is a gasbag. He has nothing to do with drug policy.")

On Washington Mayor Barry.

(Bennett: "You've got a real serious problem when the chief executive officer of a city which has a drug problem is taking crack. It's a real problem.")

And the war on drugs.

(Bennett: "We still have a long way to go, but it's not the situation we had two years ago.")

Brokaw asks Bennett if he is declaring only a partial victory at the very best?

Bennett: Yeah, at the very best. What we declared is progress.... Some neighborhoods...have been regained. We're seeing some progress even there and we're seeing drug use go down now...in the inner city.

Brokaw: ...Do you feel passionately about the prospect of Bill Bennett running for President of the United States at one point, if not in the short term in the long term?

Bennett: I don't feel passionately about that right now at all. There are other things I need to do.... I like public service.... I'm stepping down but this isn't retirement.

Brokaw: ...Do you think there ought to be a federal prohibition on tobacco?

Bennett: No, I don't. And remember one of the reasons tobacco [is so deadly] is it's legal and accessible, which I think is a very strong argument against legalizing something as deadly as cocaine.

(NBC-3)

Rather: William Bennett confirmed Thursday that he is leaving as coordinator of President Bush's anti-drug strategy. Bennett denied that he was being pushed out, he denied he was leaving out of boredom, frustration or widely reported run-ins with Chief of Staff Sununu.

(CBS-4)

ELECTIONS

Sawyer: President Bush had his first comments on Tuesday's election Thursday, telling reporters, in his words, I didn't do as well as I'd like. The President wouldn't comment on any of the individual races and he made a point of not talking about his own plans for the 1992 presidential campaign.

ABC's Gary Shepard reports from Arizona on that state's decision to reject a state holiday in honor of Martin Luther King Jr.'s birthday. The commissioner of the NFL has recommended moving the 1993 Superbowl out of the state -- which would cost at least \$250 million. The decision is getting strong backing from players. Basketball could be next: the proposed NBA all-star game in 1992 or 1994 will not be played in Arizona until the issue is resolved. That will mean another \$100 million down the drain. Phoenix could lose its bid for a Major League baseball team, too. Add to that expected losses of millions in convention business and the bottom line could reach \$1 billion in red ink. Arizona is in a state of shock.

(Gov. Mofford: "I think it'll set us back at least 10 years.") The state's legislature will meet in special session next week and may take up the King holiday issue. (ABC-2, NBC-7)

PGA/SEGREGATION

Sawyer reports a Philadelphia club has pulled out as the site of the 1993 PGA Championship. The all-white Arronomeak [phonetic] Golf Club refuses to comply with the PGA's requirement that all host clubs be integrated. (ABC-3)

CRANSTON

Rather reports Sen. Cranston said will not seek re-election in 1992. He said he is about to be treated for prostate cancer. (CBS-5)

ISRAEL/TERRORIST ATTACK

Rather reports one Israeli soldier and an Arab were killed Thursday in a gun battle near the Jordanian border. Israeli officials said five Arab men sneaked across the border before dawn armed with pistols and knives. They were intercepted by an army patrol about 20 miles north of Jerusalem. Israeli sources said the group planned to massacre Jewish civilians in the Holy City in revenge for the Israeli police killing of 18 Arabs on the Temple Mount exactly one month ago. (CBS-2)

SOUTH AFRICA

ABC's Don Kladstrup reports from South Africa on many whites' remaining prejudice against blacks. Many communities are now charging blacks exorbitant fees to use public facilities which previously barred them under the Separate Amenities Act. The South African government has warned it will take legal action if conservative town councils try to sidestep the law. Still, white conservatives defy the law. (ABC-5)

AMERICA'S CITIES

ABC's Stephen Frazier reports from Philadelphia on that city's financial troubles; it is on the brink of insolvency, bringing a steady erosion of municipal services along with tax hikes. This week, Philadelphia runs out of money. Most damaging to the city was the exodus of its middle class to the suburbs, with their lower taxes.

(Mayor Goode: "We have taken all the steps that we can take to help ourselves. If we start to try and come anywhere near solving our current problem by cuts, we're going to destroy the quality of life in the city.") (NBC-2)

Rather reports N.Y. City Mayor Dinkins announced the latest round in proposed budget cuts, eliminating hundreds of teacher aide jobs and junking plans to expand recycling. (CBS-7)

CHILDRENS' RIGHTS ADVOCATES

ABC's Tim O'Brien reports a former superior court judge in Seattle resigned to start a volunteer legal defense organization to defend children. CASA, or Court Appointed Special Advocates, tries to dig up enough information on children's cases to allow the courts to make informed decisions. The American Bar Association has endorsed the CASA concept, noting that CASA volunteers can give abused and neglected children what every child is entitled to: a meaningful voice in court. (ABC-6)

BB GUNS

NBC's James Poke reports modern BB guns have much greater firepower than in the past and are harming many children in accidents. The Consumer Products Safety Commission has refused again and again to do anything, citing low deaths numbers in BB gun shootings. Families of victims feel one death is enough. (NBC-4)

TOBACCO

Rather reports the EPA confirmed Thursday that six members of a panel reviewing evidence on the health risks of tobacco smoke have ties to a tobacco industry research group. A seventh was appointed on the recommendation of Philip Morris Tobacco. An EPA official insists this "does not cause any question to be raised about their technical capabilities." (CBS-8)

-End of B-Section-

FOREIGN MEDIA REACTION

ELECTIONS

"Bush's Reputation Suffered"

"The President's reputation has suffered.... It also shattered the President's aura of invincibility of the past two years.... But the real test, the moment of truth in the Gulf crisis, is still outstanding." (General-Anzeiger, Germany)

"Beating On The 'Bush'"

"[The President is] the clear loser of this election.... George Bush is no longer the knight in shining armor." (Hamburger Morgenpost, Germany)

"A Disappointed Country"

"The picture which emerges is that of a dissatisfied, uneasy and puzzled America, of people who do not care to vote or who do so without rhyme or reason.... George Bush is undoubtedly lonelier and weaker now." (La Stampa, Italy)

"Upheaval Avoided"

"George Bush has managed to limit the damage.... The White House still has almost complete freedom to maneuver in foreign policy, and Bush is evidently staking his re-election in the Gulf. A successful military operation would galvanize Americans to Bush's advantage." (Le Matin, Switzerland)

"Bush Seems To Be In Trouble"

"A sharp drop in the popularity of President Bush was a contributing factor to a Republican downfall and Democratic gains in the elections.... Mr. Bush seems to be in trouble.... Chances are strong that Congress will rekindle trade friction with Japan." (TV Asahi, Japan)

-End of News Summary-