

NATION/WORLD DIGEST

Reid: Senate To Move Energy-Climate Bill

WASHINGTON (AP) — Senate Majority Leader Harry Reid said Tuesday he is willing to bring up climate change legislation ahead of an immigration bill, the first step toward resolving a dispute with Senate Republicans that threatened to derail a bipartisan effort months in the making.

Reid said the long-delayed climate bill "is much further down the road in terms of a product" than the immigration measure, which remains unwritten.

"The energy bill is ready. We will move to that more quickly than a bill we don't have," Reid, D-Nev., told reporters. "I don't have an immigration bill."

Reid's comments were intended to help resolve a dispute that emerged last weekend when Sen. Lindsey Graham, R-S.C., threatened to withhold support for the climate bill if Reid pushes ahead first with an immigration bill.

Graham's threat led Sen. John Kerry, D-Mass., the lead sponsor of the climate bill, to postpone a Monday news conference unveiling the climate bill, which aims to cut emissions of pollution-causing greenhouse gases 17 percent below 2005 levels by 2020. The measure also would expand domestic production of oil, natural gas and nuclear power.

World Markets Slide On Fears Of Crisis

ATHENS (AP) — Ratings agency Standard & Poor's pushed Greece to the brink of a financial abyss Tuesday and downgraded Portugal's debt, too, fueling fears of a continent-wide debt meltdown in Europe.

Stocks around the world tanked when Greek bonds were lowered to junk status and investors saw that Greece's financial contagion was spreading to at least one other eurozone country.

Major European exchanges fell more than 2.5 percent, and on Wall Street, the Dow Jones industrial average finished down more than 200 points. The euro slid more than 1 percent to nearly an eight-month low.

"We have the makings of a market crisis here," said Neil Mackinnon, global macro strategist at VTB Capital.

Greece is struggling with massive debt, and with prospects for economic growth weak it could end up in default. Its 15 eurozone partners and the International Monetary Fund have tried to calm the markets with a euro45 billion rescue package, but it hasn't worked.

Malcolm X Gunman Freed On Parole In NYC

NEW YORK — The only man to admit shooting Malcolm X was freed on parole Tuesday, 45 years after he assassinated the civil rights leader. Thomas Hagan, the last man still serving time in the 1965 killing, was freed from a Manhattan prison where he spent two days a week under a work-release program, state Department of Correctional Services spokeswoman Linda Foglia said.

Hagan, 69, has said he was one of three gunmen who shot Malcolm X as he began a speech at Harlem's Audubon Ballroom on Feb. 21, 1965. But Hagan has said the two men convicted with him were not involved.

They maintained their innocence and were paroled in the 1980s. No one else has ever been charged.

The assassins gunned down Malcolm X out of anger at his split with the leadership of the Nation of Islam, the black Muslim movement for which he had once served as chief spokesman, said Hagan, who was then known as Talmadge X Hayer.

He has repeatedly expressed regret for his role in the assassination, which he described in a 2008 court filing as the deed of a young man who "acted out of rage on impulse and loyalty" to religious leaders.

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Judge To Militia Defense: Prove Lack Of Danger

DETROIT (AP) — An FBI agent who led the investigation of nine Michigan militia members charged with trying to launch war against the U.S. couldn't recall many details of the two-year probe Tuesday during a grilling by defense lawyers.

Even the judge who must decide whether to release the nine until trial was puzzled.

"I share the frustrations of the defense team ... that she doesn't know anything," U.S. District Judge Victoria Roberts said after agent Leslie Larsen confessed she hadn't reviewed her notes recently and couldn't remember specific details of the case.

Roberts is hearing an appeal of another judge's order that has kept members of Hutaree in jail since their arrest in late March.

The indictment says the nine planned to kill police officers as a steppingstone to a widespread uprising against the government. Defense lawyers, however, say their clients are being punished for being outspoken.

Prosecutors fought to keep Larsen off the witness stand, saying the defendants had no legal right to question her. But the judge said the agent's appearance was appropriate because the burden is on defense lawyers to show their clients won't be a threat to the public if released.

The nine lawyers asked specific questions about each defendant. Larsen said she had not listened entirely to certain recordings made by an undercover

agent who infiltrated the group.

She said she didn't know if weapons seized by investigators last month were illegal because they were still being examined. At other times, Larsen couldn't answer questions because she said she hadn't reviewed investigative reports.

Defense lawyer William Swor asked if the No. 1 defendant, Hutaree leader David Stone, had ever instructed anyone to make a bomb. The agent replied: "I can't fully answer that question."

Assistant U.S. Attorney Jonathan Tukul defended Larsen, telling the judge it wasn't clear until Monday that she would testify. Roberts, however, said she told the government to be prepared last week.

Assistant U.S. Attorney Ronald Waterstreet played an audiotape of what he said were several militia members talking freely about killing police. The participants talked over each other, often laughed and made goofy noises and disparaging remarks about law enforcement.

FISCAL CRISIS

Goldman Execs Deny Any Wrongdoing

BY MARCY GORDON AND TOM RAUM
Associated Press Writers

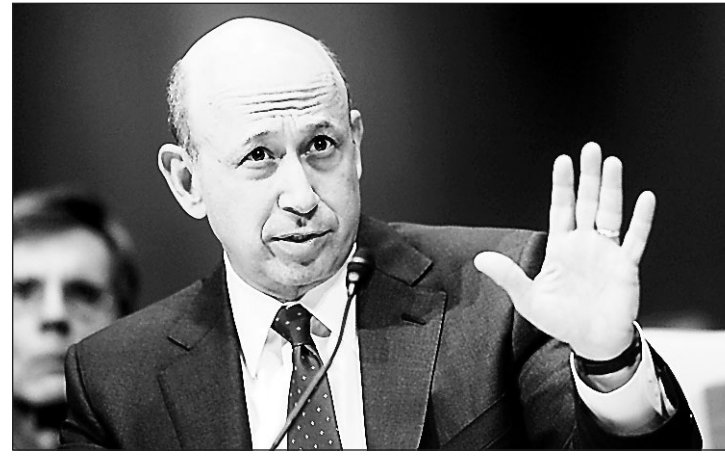
WASHINGTON — Defending his company under blistering criticism, the CEO of Goldman Sachs testily told skeptical senators Tuesday that customers who bought securities from the Wall Street giant in the run-up to a national financial crisis came looking for risk "and that's what they got."

Lloyd Blankfein and other Goldman executives were lambasted by lawmakers for "unbridled greed" in an often-electric daylong showdown between Wall Street and Congress — with expletives frequently undeluted. Unrepentant, five present and two past Goldman officials unflinchingly stood by their conduct before a Senate investigatory panel and denied helping to cause the financial near-meltdown that turned into the worst recession since the Great Depression.

"Unfortunately, the housing market went south very quickly," Blankfein told skeptical senators. "So people lost money in it."

Democrats hoped the hearing would build momentum for legislation, now before the Senate, to increase regulation of the nation's financial system. That legislation would crack down on the kind of lightly regulated housing market investments that helped set off the crisis in 2007.

At the hearing, there was hour upon hour — nearly 11 hours in all, winding up just before 9 p.m. EDT — of combative exchanges, occasional humor and long stretches of senators and Wall Street insiders speaking past each other. There was talk of ethical obligations versus financial transactions so complex



Lloyd Blankfein, chairman and CEO of the Goldman Sachs Group, testifies before the Senate at a hearing on the role of investment banks during the financial crisis in Washington, D.C.

they all but defy explanation. And there were a half dozen protesters dressed head to toe in prison stripes with Goldman officials' names around their necks.

Senators from both parties verbally pounded the Goldman executives, accusing them of a financial version of rigged casino gambling that they said endangered the entire U.S. economy.

That drew a protest from Sen. John Ensign, a Nevada Republican. In Las Vegas, he said, "people know the odds are against them. They play anyway. On Wall Street, they manipulate the odds while you're playing the game."

Outside the hearing room, analysts and investors suggested the firm was surviving the hearing with its reputation intact, something its stock performance for the day may have underscored. Goldman's stock rose \$1.01 per share, to \$153.04, on Tuesday, a day in which the Dow Jones industrials had their worst drop in nearly three months, down 213 points.

Blankfein was the final wit-

ness in a daylong hearing on Goldman conduct that resulted in a Securities and Exchange Commission civil fraud charge earlier this month against the firm and one of its traders.

Sen. Carl Levin, D-Mich., the panel's chairman cited a "fundamental conflict" in Goldman's selling to clients home-loan securities that company e-mails showed its own employees had derided as "junk" and "crap" — and then betting against the same securities and not telling the buyers.

"They're buying something from you, and you are betting against it. And you want people to trust you. I wouldn't trust you," Levin told Blankfein.

Blankfein denied such a conflict in a combative exchange. "We do hundreds of thousands, if not millions of transactions a day, as a market maker," he said, noting that behind every transaction there was a buyer and a seller, creating both winners and losers.

Levin vigorously pressed about an e-mail between

Goldman executives describing one product called Timberwolf as "one s—y deal."

"Your top priority is to sell that s—y deal," Levin said. "Should Goldman Sachs be trying to sell a s—y deal?"

I didn't use that term, the executive responded.

Other senators repeated the language in their questioning. Goldman's chief said the company didn't bet against its clients — and can't survive without their trust. He repeated the company's assertion that it lost \$1.2 billion in the residential mortgage meltdown in 2007 and 2008 that touched off the financial crisis and a severe recession. He also argued that Goldman wasn't making an aggressive negative bet — or short — on the mortgage market's slide.

He and other officials described their use of complex trading tools as a way to reduce risks for the company and its clients.

Earlier, Levin said that financial industry lobbyists "fill the halls of Congress, hoping to weaken or kill legislation" to increase regulation. He accused Wall Street firms of selling securities they wouldn't invest in themselves. That's "unbridled greed in the absence of the cop on the beat to control it," he said.

Whether Tuesday's hearing would help Democrats win Republican converts on the legislation remained an open question. "It's too soon to tell," Levin said in a brief interview outside the hearing. "We'll have to wait until the dust settles."

The Goldman witnesses strongly denied that the firm intentionally cashed in on the housing crash by crafting a strategy to bet against home loan securities while misleading its own investors.

U.S. House, Senate Reject Pay Raises

WASHINGTON (AP) — In a rare outbreak of political solidarity, lawmakers agreed Tuesday that giving themselves a pay raise in an election year when the unemployment rate hovers near 10 percent is a bad idea.

The House voted 402-15 to deny its members an automatic cost-of-living raise in 2011, depriving them of an estimated \$1,600 increase and keeping their salaries at \$174,000 a year. The Senate took identical action five days earlier.

Lawmakers put a freeze on their salaries last year, resolving that padding their incomes during the depths of the recession would not sit well with voters back home.

Automatic cost-of-living pay increases have been in effect since 1989, when as part of ethics reform lawmakers agreed to give up getting paid for speeches, a lucrative source of side income. In return, pay jumped from \$96,600 in 1990 to \$125,100 in 1991.

The pay increases, determined by a formula tied to the COLA increases of federal workers, have since shielded members of Congress from having to go on record in support of giving themselves more money. The increases can only be stopped if members pass legislation to do so.

Deficit Panel: Obama Will OK Findings

WASHINGTON (AP) — The co-chairman of President Barack Obama's deficit reduction commission said Tuesday that Obama would endorse its findings, including politically toxic tax increases and painful cuts to retirement benefits that the president was unwilling to propose on his own.

But even as Obama urged the 18-member bipartisan panel to keep open all of its options to fight "exploding deficits," forces on the right and left were urging just the opposite.

In opening-day testimony before the commission, panel members were amply warned that failure to reduce the deficit could lead to higher interest rates, harm the economy and ultimately erode Americans' standard of living.

"The path forward contains many difficult trade-offs and choices, but postponing those choices and failing to put the nation's finances on a sustainable long-run trajectory would ultimately do great damage to our economy," Federal Reserve Chairman Bernanke said.

As Bernanke testified, the stock market began a precipitous dive as Standard & Poor's downgraded the debt of Greece, which is caught in a debt crisis, to junk bond status.

Obama urged panel members to rise above Washington's bitter partisan atmosphere.

"There are few issues on which there is more vigorous bipartisan agreement than fiscal responsibility," Obama said, flanked by Erskine Bowles and former Sen. Alan Simpson, R-Wyo., the two men he asked to lead efforts to reach a consensus plan for the

deficit. "But in practice, this responsibility for the future is often overwhelmed by the politics of the moment."

Obama explicitly told reporters in the White House's Rose Garden that neither he nor commission members would say what deficit-closing options remain viable.

It's a task, though, that won't be easy: produce a deficit no bigger than \$550 billion by 2015, an amount equal to about 3 percent of the total U.S. economy. That would require deficit savings in the range of \$250 billion or more.

Bernanke made his most urgent call yet to get the government's fiscal house in order. Failing to curb deficits — \$1.4 trillion last year — would push interest rates higher, not only for Americans buying cars, homes and other things but also for the government to service its debt payments, he said.

White House budget chief Peter Orszag told the commission: "Substantial deficits projected far into the future could cause the market to rapidly lose confidence in the government's creditworthiness, producing a spike in interest

rates and fundamentally disrupting economic activity more broadly."

But the options for curbing the deficit — cutting spending on popular entitlement programs and broad-based tax increases — are so politically toxic that the only way Obama and his Democratic allies controlling Congress are willing to take them on during this midterm election year is through the commission.

The powerful seniors' lobby AARP issued a news release warning it to "Take Social Security Off the Table for Deficit Reduction."

On the other side of the spectrum, several House Republicans urged the panel to swear off tax increases.

The deficit has turned alarmingly worse since the recession that started at the end of 2007. Many projections show its size never dipping below 4 percent of the economy over the next decade. Deficits of that magnitude are unsustainable, economists say. They would put upward pressure on interest rates, crowd out private investment and ultimately erode living standards.

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