

## Republicans Voting To Extend All Tax Cuts

WASHINGTON (AP) — With the government speeding toward a year-end “fiscal cliff,” Republicans pushed a House vote Wednesday on renewing tax cuts to prop up the national economy and the Obama administration warned that looming budget cuts could send troops into battle with less training. But both taxes and spending were enmeshed in campaign politics, with no resolution expected until after the elections.

Democrats are demanding that any compromise to avoid the \$110 billion in budget cuts that are scheduled to kick in Jan. 2 include a tax increase on high-income earners as well as the tax-cut extension for most earners. Republicans reject the idea of raising rates on anyone as the economy struggles to recover fully from recession.

“There are five months remaining for Congress to act,” acting White House Budget Director Jeff Zients told the House Armed Services Committee. “What is holding us up right now is the Republican refusal to have the top 2 percent pay their fair share.”

Deputy Defense Secretary Ashton Carter told the committee that if Congress fails to come up with a compromise, nearly all elements of the military will be affected by cuts mandated by last year’s deficit deal. Training would be scaled back and flying hours for Air Force pilots would be reduced. The Navy would buy fewer ships and the Air Force fewer aircraft.

“Some later-deploying units (including some deploying to Afghanistan) could receive less training, especially in the Army and Marine Corps,” Carter said. “Under some circumstances, this reduced training could impact their ability to respond to a new contingency, should one occur.” Military personnel would be exempt from job cuts, but furloughs might be issued and commissary hours reduced, he said.

## Mystery Deepens Into Location Of Assad

BEIRUT (AP) — Syrian President Bashar Assad urged his military Wednesday to boost its fight against rebels, but his written call to arms only deepened a mystery over his whereabouts two weeks after a bomb penetrated his inner circle.

Assad has not spoken publicly since the July 18 bombing killed four of his top security officials — including his brother-in-law — during a rebel assault on the capital, Damascus. The president’s low profile has raised questions about whether he fears for his personal safety as the civil war escalates dramatically.

The United States called the Syrian president a coward for marshaling his forces from the pages of the army’s official magazine.

“We think it’s cowardly, quite frankly, to have a man hiding out of sight, exhorting his armed forces to continue to slaughter the civilians of his own country,” said U.S. State Department spokesman Patrick Ventrell.

Sausan Ghosheh, the spokeswoman for the U.N. mission in Syria, said Wednesday that international observers witnessed warplanes firing in Aleppo, Syria’s largest city, where intense fighting has been raging for 12 days.

## Businesses Work Through Indian Blackout

GHAZIABAD, India (AP) — Work making potato chip display racks at Jayraj Kumar’s factory barely paused when much of India’s power grid collapsed.

The backup generators kicked in automatically and the electric saws, presses and welding machines kept running, just like they do during the five-hour power cuts the factory in suburban Delhi suffers nearly every day.

India’s unreliable power system has forced businesses to create a workaround electricity system of noisy, dirty diesel generators that prepared them well when the world’s worst blackout hit the country Tuesday.

But the trouble has also vastly increased businesses’ expenses, dragged down their productivity and hampered economic growth in the country.

“Running a factory is very tough here,” Kumar said.

# Fed Says U.S. Economy Has Slowed

## No New Actions Taken

BY MARTIN CRUTSINGER

AP Economics Writer

WASHINGTON — The Federal Reserve said Wednesday that the U.S. economy is losing strength and repeated a pledge to take further steps to boost growth if hiring remains weak.

The Fed took no new action after a two-day policy meeting. But it acknowledged in a statement released after the meeting that economic activity had slowed over the first half of the year, with job creation remaining sluggish and consumer spending tapering off.

The Fed reiterated its plan to hold short-term interest rates, now near zero, at very low levels until at least late 2014.

Market reaction to the Fed’s announcement was muted. Stocks fluctuated slightly after the statement was released and ended the day lower.

The Dow Jones industrial average fell 33 points to 12,976, and broader indexes also closed down. The yield on the 10-year Treasury note increased from 1.50 percent to 1.52 percent.

The statement was slightly different than the one issued after the Fed’s last meeting, June 19 and 20.

In addition to noting that the economy had “decelerated,” the Fed’s policymaking committee said it would “closely monitor incoming information” and “will provide additional accommodation as needed” to stimulate the economy and job creation. In the June statement the central bank said “the economy has been expanding moderately” and that it “is prepared to take further action as appropriate.”

Many economists believe the Fed could launch another program of buying government bonds and mortgage-backed securities at its September meeting if the economy doesn’t show improvement. The goal of the program, known as quantitative easing, would be to drive long-term rates, which are already at record lows, even lower.

The Fed’s next move could depend on whether the European Central Bank, which meets Thursday, takes any action to stimulate growth among the 17 countries that use the euro.

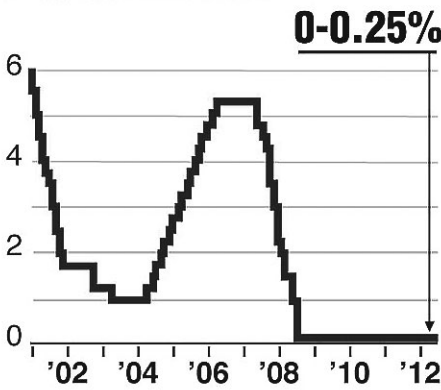
The next big signal on the U.S. economy’s health comes Friday, when the U.S. Labor Department reports on July hiring and unemployment trends.

Economists forecast that U.S. employers added 100,000 jobs in July. That would be slightly better than the 75,000 a month average from April through June but still below the healthy 226,000 average in the first three

## Interest rates

*Seeing the economy as slowing down somewhat, the Federal Reserve again pledged to keep rate near zero through late 2014.*

### Federal funds rate



### Prime rate

3.0-3.25%

### Discount rate

0.5%

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Source: U.S. Federal Reserve

months of the year. The unemployment rate is expected to stay at 8.2 percent.

Economists will also be watching Chairman Ben Bernanke’s words closely when he speaks on Aug. 31 at an annual economic conference in Jackson Hole, Wyo.

“The Fed took no action at this meeting but strongly hinted that there will be further easing action at the next meeting in September,” said David Jones, chief economist at DMJ Advisors.

The statement was approved on an 11-1 vote. Jeffrey Lacker, president of the Federal Reserve Bank of Richmond, dissented for a fifth time this year. He objected to the Fed including language in the statement about keeping short-term rates low until late 2014.

U.S. economic growth slowed to an annual rate of just 1.5 percent from April through June, down from a 2 percent rate in the first quarter.

Fed officials have signaled in speeches their concern about job growth and consumer spending. Bernanke told Congress two weeks ago that the Fed is prepared to take further action if unemployment stays high.

Worries have also intensified the U.S. economy will fall off a “fiscal cliff” at the end

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## Iranian Exiles In Iraq Told To Move By U.N.

UNITED NATIONS (AP) — The U.N. chief is urging some 1,200 Iranian exiles to follow orders to leave a northern Iraq camp, the site of two deadly raids by Iraqi forces, and resettle in a new refugee camp near Baghdad.

U.N. Secretary-General Ban Ki-moon on Wednesday also urged other countries to give asylum to the People’s Mujahedeen Organization of Iran, an exiled Iranian dissident group that had waged a campaign from foreign bases to overthrow Iran’s clerical government.

The distrust between the exiles and Iraq’s government has always been palatable, but it peaked after security forces led deadly raids at Camp Asraf twice in the last four years. An Iraqi army raid last year left 34 exiles dead.

The exile group, also known by its Farsi name, Mujahedeen-e-Khalq, has already moved about 2,000 of its residents from Camp Asraf in northern Iraq to a Baghdad refugee camp, Camp Hurriya, a former U.S. military base. But they ignored a July 20 deadline to move the remaining 1,200 members, saying they will not go until they see proof of more water, increased electricity, better facilities for sick and disabled people and other improvements to the base.

The U.N. says the services at Camp Hurriya are already far better than at most other refugee camps worldwide.

On Tuesday, Iraqi National Security Adviser Faleh al-Fayadh warned the group to move soon or his government will take matters into its own hands.

Ban urged the refugees to “earnestly prepare for their next transfer.” He added that “violence should, at all costs, be avoided” and urged Iraq’s government to “exercise restraint.”

Shahin Gobadi, a Paris-based spokesman for the group, said in an email that the infrastructure is inadequate and nobody will move there until it is improved. He said the People’s Mujahedeen Organization of Iran had offered to pay for improvements and to cover the cost of the next convoy.

“The problem is that the government of Iraq receives all of its orders on Ashraf from the Iranian regime, refrains from implementing the simple and practical plan to meet the minimum humanitarian needs of the residents, and it is planning for the third massacre in Ashraf,” he said.

The People’s Mujahedeen Organization of Iran has been labeled everything from a cult to a terrorist organization — although one that has provided the U.S. with intelligence on Iran.

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