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HEADLINE Bush Re-Election Threatened by Slow Economy

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Unless something drastic is done soon about the economy, the sluggish recovery may have a real impact on President Bush's re-election plans.

GUEST(S): ANTHONY VIGNOLA, Economist, Kidder Peabody; CAMPBELL HARVEY, Economist, Duke University; STEPHEN MOORE, Economist, Cato Institute

Bush Re-Election Threatened by Slow Economy

LOU DOBBS, Anchor: Unlike most other banks, Chase's new rates apply to current as well as future balances. Chase manages \$10 billion of credit card debt and the lower interest rates could well put a lot of money back in to the economy. The savings for the average credit card holder are, however, more modest. On an average balance of \$2,000, the customer would save \$68 a year.

The Federal Reserve Board has tried to help the economy by slashing interest rates. It doesn't seem to be helping that much. The government's index of leading economic indicators today fall-falling 2/10 of a percent for the month of June; that is the first drop in six months in the LEI. Rising jobless claims, falling confidence dragging down the index. The weak showing is another reminder of the challenge that faces President Bush. Kitty Pilgrim reports from New York.

KITTY PILGRIM, Business News Correspondent: President Bush Tuesday met with business leaders who support his reelection. But he's not getting much support from the economy. Another government report showed the economy slowed, a reminder the recovery from recession is inconsistent.

ANTHONY VIGNOLA, Economist, Kidder Peabody: The index falling is a disappointment. It is the first decline of this year, but it is not the beginning of a new trend.

PILGRIM: For consumers and voters, the index of leading economic indicators may not mean as much as the unemployment rate, but a report forecasting a sluggish economy well into November is an important election issue to President Bush and his Democratic challenger Bill Clinton.

* CAMPBELL HARVEY, Economist, Duke University: We're dangerously close to the election. And it indicates to me that something drastic needs to be done because obviously this recovery is off track.

PILGRIM: Economists say the President's problem is not only the economy but how people feel about it. Consumer pessimism contributed to President Carter's defeat in 1980, even though the economy had already recovered from recession. Pundits and economists say President Bush has to convince people things will get better.

STEPHEN MOORE, Economist, Cato Institute: What he has to basically do is go to Houston and basically outline an agenda of change that goes beyond capital gains.

PILGRIM: Economists say the President should unveil his new economic plan at the Republican national convention in Houston later this month. The Clinton campaign has already proposed its own economic plan, and with a sizable lead in the polls, the

Democratic challenger may not have to prove his plan is better, only that the economy isn't. Kitty Pilgrim, CNN Business News, New York.

DOBBS: Worries about jobs, the economy, slowing traffic in automobile showrooms last month, consumers staying away, awaiting some sign that recovery is gaining strength. Car sales dropped slightly, pushed down by declines at General Motors and Ford. Truck sales, however, remain strong, up 1 1/2 percent in late July, and for the month as a whole, four of every ten vehicles sold were trucks.

Well, airlines doing their bit to boost sales. The ticket war escalated today. Delta announced plans to slash fares to Europe and to Israel by up to 30 percent. Most major carriers matched those cuts or said they would. American Airlines also cut fares to the Caribbean.

Well, airline and car stocks today lost ground, part of an overall decline on Wall Street. The market snapped a five-day winning streak, the sell off, however, not so severe. The Dow Jones industrial down 11 points on the day.

And coming up next on 'Moneyline,' I'll be talking with Federal Reserve Board Governor Lawrence Lindsay. We'll be talking about the state and the direction of the economy and what perhaps the Fed might do about it all. Stay with us.