By James Risen
WASHINGTON

In a warning shot aimed at Con-
gress and the Clinton administration, Federal Reserve Board Chairman Alan Greenspan signaled Tuesday that the central bank might raise interest rates to head off rising infla-
tion—or to counteract congressional backsliding on deficit reduction.

Greenspan cautioned that any at-
ttempt by lawmakers to back off their target of $500 billion in deficit reduction over five years would be a "negative" that would quickly roll the nation's financial markets, prompting an increase in long-term interest rates. The Fed, he suggest-
ed, would then have little choice but to raise short-term rates to dampen inflationary expectations.

Faced with increasingly difficult budgetary choices, House and Sen-
ate negotiators who are trying to craft a compromise economic pro-
gram have tentatively raised the possibility of scaling back the deficit-reduction target.

The administration has strongly

What Kind of Change Will Japan's Conservatives Bring?

By Leslie Helm

Tokyo

Voters have brought an end to Japan's own little "cold war" Sun-
day when they gave a thumbs-down to the left-leaning Socialists and shifted their support to three new conservative opposition parties.

The other cold war camp, the ruling Liberal Democratic Party, will remain the country's largest party, but it again failed to regain the majority position it lost when a splinter group joined the opposition in a no-confidence vote last March. That setback forced last weekend's election for the lower house of Parliament, which elects the prime minister.

But can Japan's new conserva-
tives unite and forge an alliance with the old-line opposition to form a new government in the coming month, before elections are held for a state legislature? And if they do, what kind of change will the new government bring?

The verdict is mixed as Japan digests the election results.

"The center-right (opposition) was big enough to destabilize the LDP but not big enough to create an alternative government," said Kenko Inoguchi, a political science professor at Sophia University in Tokyo.

For the longer term, however, observers said the emergence of a non-LDP government will likely force the ruling party vastly increases the chance that a non-LDP government could be formed, with a platform for at least moderate change.

For decades, the Socialist party has served as the vehicle for protest votes against the ruling party. When the LDP implemented a consumption tax three years ago, for example, voters support-

ed the Socialists in large numbers. But few Japanese have ever seri-
ously considered a Socialist-sponsored government. An election in which the SDP is the largest group will result in a lame-duck LDP, is different enough from the old new groups to differentiate them- selves by becoming more pro-con-
sumer, in contrast to the pro-produc-
ter, pro-senior politics of the LDP.

Others warn against expecting too much change in this area. "There is no great cleavage between the LDP and the opposition on this issue," says Gerald Curtis, a politi-
cal scientist at Columbia University.

Should the new government talk of decentralizing government, rooting out corruption and taking a more assertive foreign policy posture. But few talk of promoting the more funda-
mental shift in economic policy from growth to quality-of-life issues that economists believe is necessary if Japan is to return to growth.

And the success of the new con-
servatives has been welcomed by business leaders, who expect the new parties to be sympathetic to their

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