fy specific opportunities for minorities.

Major airlines raise fares by $10 to $30

Major U.S. airlines, led by Continental Airlines, raised fares Tuesday for the third time this year. Except for Southwest Airlines, major carriers raised domestic fares $10 to $30 round trip. *(Story, 2B.)*

CarsDirect.com gets $17 million investment

Penske Automotive and United Auto Group, two large dealership chains, will invest $17 million in CarsDirect.com and use the auto-buying Web site to sell vehicles. CarsDirect.com also filed for an initial public stock offering Tuesday with the Securities and Exchange Commission. . . . **General Motors** took a 10% ownership stake in car dealer software provider Reynolds and Reynolds to develop Internet tools letting consumers specify options, order and arrange delivery of vehicles while online. The technology will be available to GM dealers.

Cadbury joins bidding for Nabisco

Britain's Cadbury Schweppes said Tuesday that it has expressed interest in parts of U.S. food group Nabisco, maker of Oreo cookies and Grey Poupon mustard. Analysts said Cadbury was looking to cherry pick Nabisco's sugar confectionery business in the USA, where the British group is currently weak. French food company Danone also is bidding for Nabisco.

3M will stop making some repellents

3M is phasing out the chemicals used to produce some of its repellents and coatings due to environmental concerns, although the company believes the products do not pose a risk to humans or the environment. The affected product lines include many Scotchgard products, such as soil-, oil- and water-repellent products. 3M said it will take a charge of $200 million this year, but expects to meet earnings estimates for the rest of 2000.

AOL to launch free service for schools

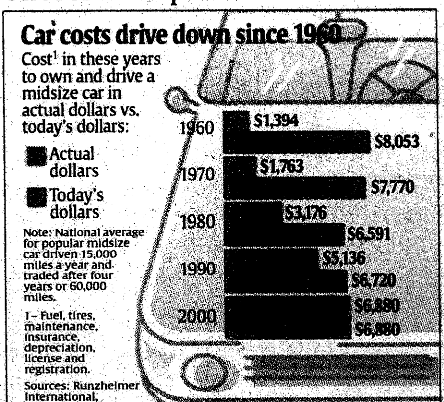
America Online will launch a free service for schools today. Students will see no ads (other than the AOL logo), will not be able to purchase goods online and will be blocked from pornography, AOL officials said.

IMF made mistakes in Asia, Fischer says

The International Monetary Fund made mistakes in the world financial crisis of 1997-99 but has mostly done the right thing, IMF First Deputy Managing Director Stanley Fischer said Tuesday. "The advice that the IMF has offered has not always been right in all of the details — fiscal policy should not have been tightened at the start of the Asian crisis — but mostly we have been on the side of the angels," Fischer says.

By Sara Nathan from staff and wire reports

USA TODAY Snapshots®



By Anne R. Carey and Quin Tian, USA TODAY

in more than five years is a signal that frustrated policymakers have effectively ended their long-running argument about whether they should baby the "new economy."

Despite all the talk about how the Internet and the proliferation of computers have obliterated traditional economic rules, Fed Chairman Alan Greenspan and his colleagues acted in a very traditional way Tuesday: After a year in which the booming economy ignored their five cautious quarter-point interest rate increases, policymakers boosted short-term interest rates by a half-point and signaled that they almost certainly aren't done.

▶ Rate hike, 1A
▶ Advice for consumers, investors, 3B

"Dr. Greenspan and others happily acknowledge that the technology boom and the growth of productivity have transformed the old economy into a new economy, but it's also increasingly clear that the new economy is running out of workers," says Rory Robertson, interest rate strategist for Macquarie Bank.

The Fed frets that the tightest job market in a generation and relentless consumer demand will eventually overwhelm supply, causing wages and inflation to take off. As long as pay and prices were subdued — and while policymakers debated whether and how much the economic rules had changed — the Fed was content to go slowly.

But recent signs that wages are surging and inflation is beginning to creep up "have added some genuine urgency to the situation," Robertson says. Hence the half-point increase and ominous language from the Fed about what's next.

In the statement accompanying the announcement of the rate increase Tuesday, the Fed said demand has "remained in excess" of the economy's ability to satisfy it, and that policymakers are "concerned" that the problem "will continue."

Analysts now say the Fed won't stop raising rates until it gets hard evidence of a slowdown. Signs would include sharply lower economic growth, stock markets with none of last year's fizz and a major pullback in the consumer-spending binge that has fueled the economic boom. Set against the hot economy of the past couple of years, that would look particularly mediocre.

"It's ugly compared to utopia, which is the new image many people have about the economy," agrees David Levy, di-

Please see COVER STORY next page ▶

+0.25 to 5.75%
Feb. 2

"The committee remains concerned that over time increases in demand will continue to exceed the growth in potential supply, even after taking account of the pronounced rise in productivity growth."

+0.25 to 5.5%
Nov. 16, 1999

"Today's increase in the federal funds rate, together with the policy actions in June and August . . . should markedly diminish the risk of inflation going forward."

+0.25 to 5.25%
Aug. 25, 1999

"With financial markets functioning more normally . . . the degree of monetary ease required to address the global financial market turmoil of last fall is no longer consistent with sustained, non-inflationary, economic expansion."

+0.25 to 5.0
June 30, 1999

"Last fall the committee reduced interest rates to counter a significant seizing-up of financial markets in the United States. Since then much of the financial strain has eased."

Housing market feeling chill in some areas

By Sandra Block
USA TODAY

The Federal Reserve boosted short-term rates Tuesday hoping to slow the economy, including the hot housing market. In some parts of the country, that strategy already seems to be working.

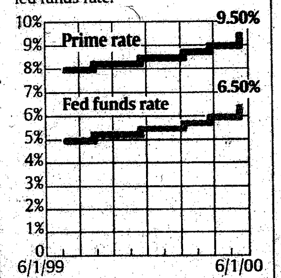
Jean Kwiatkowski of Wilkes-Barre, Pa., says she and her husband purchased a lot last year with the intention of building a smaller house and selling their current home. But they've postponed their plans because rising rates have inflated the cost of a construction loan and depressed the local housing market.

Wilkes-Barre "isn't booming with home sales," Kwiatkowski says. "With interest rates going up, a house in the $250,000-$300,000 range isn't going to sell quickly."

In anticipation of the Fed's move, 30-year fixed mortgage rates rose to an average 8.52% last week, from 7.10% in May 1999. If the Fed continues to raise short-term rates, fixed rates could hit 9.3% before tapering off, says Keith Gumbinger of HSH Associates, a loan tracker. At that rate, a $200,000 loan would cost $343 more a month than it did a year ago.

Prime rate heads up

The bank prime rate moves in lockstep with the fed funds rate — 3 percentage points above the fed funds rate.



Source: USA TODAY research

The Mortgage Bankers Association says a 1-point increase in rates pushes 450,000 people out of the home-buying market.

Steve Knippenberg, who recently moved to Huntington, W.Va., says higher rates prompted him to back out of an offer on a house. "When we started looking, the (30-year rate) was 8.12%," he says. "By the time we found something in April, it was 8.25%, and now it's getting ready to go up again."

Knippenberg says he intends to rent until housing prices and mortgage rates go down. "I think it's time to just sit and wait," he says.

That's just what the Fed wants to hear. Home sales are a key driver of the economy, because homebuyers typically need furniture, lawnmowers and similar items. By slowing home sales, the Fed hopes to restrain overall consumer spending, keeping inflation in check.

Also affected are home-equity loans, often used for remodeling. Most are pegged to the prime rate, and many banks said they'll raise the prime to 9.5% from 9%.

Still, some regions remain unfazed. When David Christensen bought his house in Waupun, Wis., his back yard was surrounded by pasture. In the past two years, 50 houses have been built on that land, and demand still exceeds supply. If he decided to sell, "I wouldn't even have to advertise or get a Realtor," Christensen says.