

Fed chief signals interest rate cuts

With inflation reined in, central bank's Jerome Powell all but promises monetary easing next month.

By Don Lee

After a near-textbook campaign to rein in inflation by raising interest rates, the head of the Federal Reserve, Jerome H. Powell, all but promised Friday to start lowering rates next month — with fingers crossed that it's not too late to avoid a recession.

From the beginning of the inflationary surge triggered more than three years ago by the economic disruptions of the pandemic, it was clear that raising interest rates could tame price increases. It was also clear that, if rates stayed too high too long, they could choke the economy into recession.

And few states are showing stronger signs of a possible downturn than California, which has felt the effects of high interest rates more severely than others. Not only has its unemployment rate been among the highest in the land while its job creation rate lagged, but pillar industries such as entertainment and tech have also gone through major disruption and many residents and businesses have left the state.

"Overall, the economy continues to grow at a solid pace," Powell said in a widely anticipated speech at the annual summer symposium of central bankers in Jackson Hole, Wyo. "But the inflation and labor market data show an evolving situation. The upside risks to inflation have diminished. And the downside risks to employment have increased.

"The time has come for policy to adjust," he said, giving his strongest signal yet of an imminent rate cut.

Investors cheered the news. Major stock indexes rose almost immediately after he began speaking.

Powell did not tip his hand on the size of the com-

[See Powell, A8]



ROBERT GAUTHIER Los Angeles Times

GOV. GAVIN NEWSOM applauds Vice President Kamala Harris during her acceptance speech for the Democratic presidential nomination. He kept a relatively low profile during the four-day convention.

Newsom adjusting to his new role in ally's shadow

Elected in San Francisco the same day 20 years ago, he and Harris climbed ranks of California politics together

By Taryn Luna

CHICAGO — Gov. Gavin Newsom stood quietly on the sidelines of the packed United Center arena, hands in his suit pockets, as he watched state after state jubilantly declare support for Kamala Harris.

Intentionally away from a swarm of news cameras, Newsom waited to emerge on the floor until it was his nationally televised turn in the spotlight to announce California's votes for his longtime friend and political ally as the Democratic presidential nominee.

"I've got to say, on my life's bingo card, you can't make this one up," Newsom said moments earlier as he made his way through the backstage of the arena down to the hall.

A potent political cock-

tail of ambition, hard work,



MYUNG J. CHUN Los Angeles Times

AT THIS POINT, it's unclear how Harris intends to use Newsom in her campaign.

smarts and a little luck allowed one Californian to cement her position in the most coveted role in the Democratic Party this week, replacing President Biden at the top of the ticket.

The Democratic National Convention also marked the beginning of another star Golden State politician — and presidential contender — finding himself in an unfamiliar position in Harris' shadow.

Newsom's presence in Chicago was unusually muted for the liberal leader of the most populous state in America as he tried to navigate his place behind Harris and his unclear role in supporting her campaign.

"He has to make sure that he conducts himself in a manner that recognizes his role and the fact that he's not the candidate," said Jennifer Horn, former chair of the [See Role, A10]

Cartels' turf war sends Mexican villagers to Guatemala

Thousands have fled violence as gangs in Chiapas vie for smuggling routes

By Patrick J. McDonnell

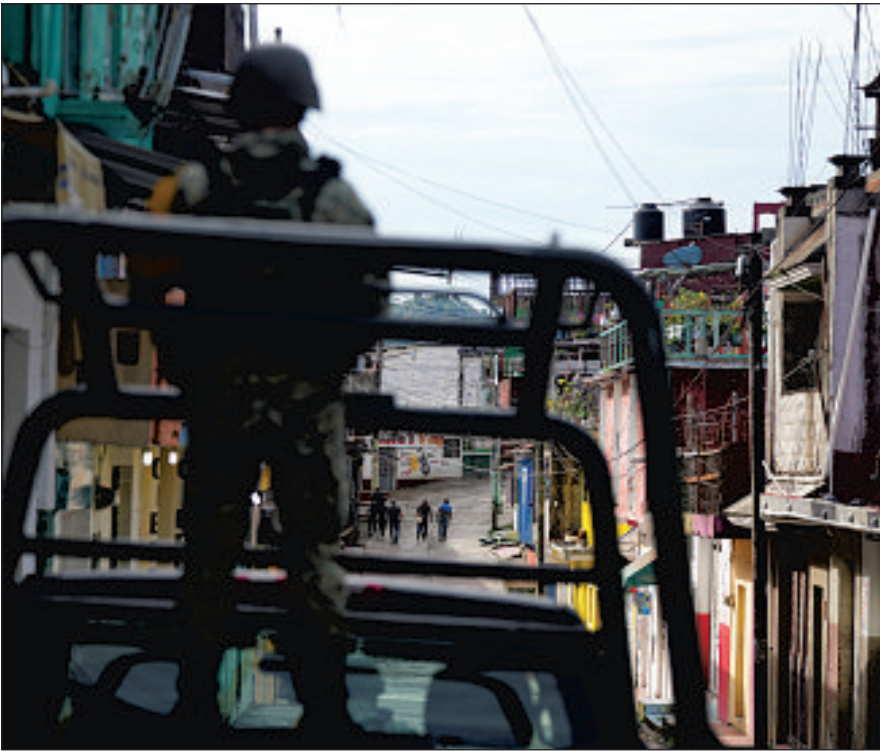
CUILCO, Guatemala — In their native village in southern Mexico, people once lived a tranquil existence. The 30 or so families planted coffee, corn and beans, while some kept chickens and a few cows.

"We were never afraid of anything," said Melina Martínez, 28. "We could come home at night, at 1 o'clock in the morning. It was peaceful."

The first signs of trouble came late last year, when gunmen began showing up in the hamlet — named México Nuevo — and setting up checkpoints on roads to shake people down for cash. Residents said that at least two young men were abducted at gunpoint from their beds and conscripted into a drug cartel.

Then late last month, after heavy shooting broke out nearby, most of the villagers trudged through the bush for two hours across the border to Guatemala.

"We all decided to run be-



FERNANDO LLANO Associated Press

FARMERS walk past shuttered stores under the watch of soldiers in Tila, a town in Mexico's Chiapas state, which has been engulfed by gang fighting.

cause we thought they would invade our community," explained Martínez, who left with her 8-year-old son.

They are among thousands of people displaced by an escalating turf war that has engulfed much of Mexico's Chiapas state — known for its Indigenous cultures, spectacular nature, Maya ruins and picturesque colonial towns — in the sort of violence that has already convulsed so much of the country.

Rival criminal gangs are fighting for lucrative smuggling routes along the 400-mile frontier with Guatemala, a corridor for cocaine, arms and migrants.

Some of the mobs operate semiautonomously, but most appear to be linked to one of Mexico's two major cartels — Sinaloa and Jalisco New Generation.

Assassinations, kidnappings and displacements have come to dominate life across wide swaths of Chiapas, said Gerardo González Figueroa, a researcher with El Colegio de la [See Chiapas, A4]

ANALYSIS

HARRIS' IDENTITY MAY BE FULCRUM IN RACE

Vice president's rise or fall could hinge on whether voters are ready to embrace the nation's changing face.

By David Lauter

WASHINGTON — From its opening moments, Vice President Kamala Harris' acceptance speech made clear that no issue will shape the 2024 presidential election so much as voter attitudes toward America's rapidly changing face.

In the nine years since he plunged into electoral politics, former President Trump has embraced nativism and made suspicion of immigrants central to his political brand.

He has made a call for "mass deportations" a key element of the current campaign. At his darkest, he has accused immigrants of "poisoning the blood of our country," and he has forged his political movement around rejection of the demographic revolution that has reshaped the United States over the last three decades.

Harris, a product of that revolution, embraced it in accepting her party's nomination.

She described herself as a child of the American middle class, recounting growing up in Oakland in "a beautiful working-class neighborhood" located "in the flats," not the hills.

The description drew a sharp contrast with Trump's childhood of wealth. Even more starkly, however, her origin story contrasted with the vision of America that Trump has espoused.

Harris stressed her identity as the child of two immigrants — something that has not been true of an American president since the early 19th century — opening her speech with her mother's "unlikely journey" from India to America, where she met and fell in love with a man from Jamaica. [See Analysis, A10]

Kennedy halts presidential bid

Candidate announces the suspension of his campaign and throws his support behind Trump. **NATION, A6**

The kidnapping of Patty Hearst

The Times takes a look back at the sensational '70s case, with reaction from one of her SLA captors. **CALIFORNIA, B1**

Carew becomes U.S. citizen at 78

Baseball legend with the Angels and Minnesota Twins emigrated from Panama when he was 14. **SPORTS, B12**

Weather

Mostly sunny. L.A. Basin: 83/62. **B8**

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