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ONE DOLLAR

National Edition

Florida: Mostly cloudy with showers
and isolated thunder in the northern
area of the state. Partly sunny and
warm in the south. High 50's north to
70's south. Weather map, Page C18.

Sham Shelters for Business Flourish as Scrutiny Fades

By DAVID CAY JOHNSTON

Merrill Lynch saved AlliedSignal \$180 million. A division in Merrill's army of bankers, lawyers and accountants — known as the financial engineers — had invented a way for AlliedSignal to escape taxes it owed the federal government on the sale of an oil business.

The scheme worked this way: the company transferred the taxable profit on the sale to a newly created partnership with a foreign company, which turned around and returned the same amount to AlliedSignal in a way that made it no longer count as taxable profits.

For their efforts, Merrill and its associates got a cut of the savings — \$25 million, or 13 cents on every dollar rescued from the government.

For decades, accountants and lawyers charged by the hour for advising corporations on how to arrange deals to legally avoid as much tax as possible. But the business has changed in two significant ways. First, Merrill and others decided they could create business deals that existed only on paper and could wipe out enormous tax bills. Second, they could demand a cut of the savings for devising the techniques that make the deal look real. The bigger the savings, the higher the fee.

As companies have discovered how much money these deals can save them, Wall Street bankers, lawyers and accountants have rushed in to serve them. All of the Big Five accounting firms — PricewaterhouseCoopers, Ernst & Young, Deloitte & Touche,

TAX MAGICIANS A special report.

KPMG and Arthur Andersen — now charge corporations a fee based on the savings from tax shelters they design and sell. So do big investment houses, notably Merrill Lynch, Goldman, Sachs and Bear, Stearns. Some of their colleagues in these fields are appalled. They say that many of these tax shelters are illegal because they have no business purpose; they exist only to avoid taxes. They say that such shelters would be much less likely to be approved by advisers who are not compromised by the possibility of profiting handsomely from work that requires strikingly little time.

Indeed, the United States Tax Court ruled the AlliedSignal deal, struck in 1990, was a sham, and an apparent sign that the decision earlier this year. AlliedSignal, now called Honeywell and Electric, is appealing. Merrill Lynch said a similar shelter to 10 companies.

But few tax shelters are uncovered by an Internal Revenue Service. The agencies have been significantly reduced in recent years. And even if one is discovered, penalties are rare. Criminal prosecution is almost unheard of. And, as in the AlliedSignal case, the Treasury is still without the money while appeals drag on for years.

But the money to be made can seem well worth the very

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Congress Severely Curtails Plan For Low-Power Radio Stations

By STEPHEN LABATON

WASHINGTON, Dec. 18 — Tucked away in the budget legislation that President Clinton will soon sign is a provision that sharply curtails the ambitious plans of the Federal Communications Commission to issue licenses for low-power FM radio stations to 1,000 or more schools, churches and other small community organizations.

The provision, by setting new technical standards and repealing those already determined by the F.C.C., makes it all but impossible for licenses to be issued in cities of even modest size. Officials say that for the tough standards will mean that at most a handful of stations in the least populated parts of the country may be started, although even that is now uncertain.

Taking a direct slap at the regula-

tors, the new law shifts the policymaking authority from the F.C.C. to Congress to set standards and issue licenses for low-power FM stations. This is the first time in recent memory that the lawmakers actually stripped the agency of the power to manage an important part of the spectrum.

The F.C.C.'s low-power radio plan was conceived last January to counter the huge consolidation in the broadcasting industry that the agency's chairman, William E. Kennard, concluded had led to a sharp decline in the diversity of voices on the airwaves. Mr. Kennard saw the plan as a cornerstone of his agenda to promote civil rights issues at the F.C.C. Large broadcasters, including National Public Radio, had complained that the creation of so many low-power stations would have produced interference with their broadcasts. The F.C.C. countered that the true concern of the broadcasters was competition from small stations.

Today Mr. Kennard said the legislation "shows the dangers of politicizing spectrum management."

This is a resource that everyone has to share," Mr. Kennard said in an interview. "We can't allow people to have the spectrum to use their political clout to shut out voices that

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ISRAELI PARLIAMENT WILL NOT DISBAND TO FACE ELECTION

NETANYAHU MAY DROP OUT

Former Premier Says Chance to
Form a New Government Is
Essential to Candidacy

By DEBORAH SONTAG

JERUSALEM, Tuesday, Dec. 19 — The Israeli Parliament voted early this morning against disbanding, meaning that Israel will go to the polls on Feb. 6 to elect only a prime minister.

In all likelihood, the vote means that former Prime Minister Benjamin Netanyahu will now drop out of the race, despite polls that show him to be the clear front-runner.

If he does drop out, that would produce a much tighter and much different contest than had been expected. It would be between two former generals: Prime Minister Ehud Barak, 58, and Ariel Sharon, 72, head of the Likud Party.

In a hastily called news conference this afternoon, Mr. Netanyahu, 51, said he would not run if Parliament voted against disbanding itself to form a new Parliament, no prime minister would be able to govern, he said, and political instability would reassert itself and lead to another government's downfall.

"I will run only in general elections for both the Parliament and prime minister," Mr. Netanyahu said. "I will not run unless general elections are held."

He insisted that he would not "zigzag" and change his mind, although some opponents predicted that he would find a way to end up in the race. Ophir Pines-Paz, chairman of Mr. Barak's One Israel faction, said, "I'm convinced that in the end, Netanyahu will convene a press conference to say that he was pressed to run."

If he does not, however, Mr. Netanyahu will have made one of the quickest round trips to and from political life in Israeli history.

Mr. Netanyahu ended his 18-month, self-imposed political exile to proclaim his intention to recapture both the Likud leadership and the premiership. He called it "the end of the road."

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An Uneasy Alliance Formed on Spending

When Congress quit for the year last week, one of the most conservative members, Representative Randy Cunningham, boasted that he had voted for big increases in spending on education and biomedical research.

While Mr. Cunningham represents San Diego, a regional center of the biotechnology industry, he also speaks for many Republicans who joined Democrats to form a consensus favoring the spending increases.

Democrats are sure to fight with the new president over education. But the measure Congress just approved raises the bidding.

Article, Page A23.

Terror Label No Hindrance To Anti-Arab Jewish Group

By DEAN E. MURPHY

About 350 Jews are scheduled to have dinner in a rented hall in Brooklyn tonight with Benjamin Kahane, as foreign terrorist organizations by the United States government, which made it a crime to support them in money or other resources. The crack-down followed a series of violent attacks on Palestinians and other Arabs, including the killing in 1994 of 29 Muslims by Baruch Goldstein, a Brooklyn-born Jew and Kahane adherent, who shot the Muslims to death while they were praying in a West Bank mosque.

But a core group of the rabbi's followers, working from their homes and a converted martial arts studio in Brooklyn, have thumbed their noses at the terrorist designations. They have reinvented themselves as Internet content providers, magazine publishers, community center operators and fund-raisers, all promoting Rabbi Kahane's contentious quest for the restoration of the biblical state of Israel, including the wholesale expulsion of Arabs.

Their numbers are small — estimated at 100 — but they are growing.

The Kahane political organizations, Kach and Kahane Chai, were outlawed in Israel in 1994 as terrorist groups because of their Arab-hating doctrines, although members of the group can still be seen on the streets

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While President-elect Bush was in a series of meetings yesterday, the incoming first lady, Laura Bush, met with Hillary Rodham Clinton.

Aetna to Shed Customers and Jobs In Effort to Cut Health Care Costs

By MILT FREUDENHEIM

Aetna Inc., the nation's largest health insurance company, said yesterday that it would shed two million of its 18 million customers over the next year as it raises premium charges and struggles to make its troubled managed care business more profitable.

The company also announced plans to eliminate 5,000 jobs, about 13 percent of its work force. The cuts, more than half from attrition, will include some reductions among its 2,300 employees in New Jersey.

About 1.5 million of the departing customers will be employees of companies that drop Prudential Health Care insurance rather than pay steep premium increases, Aetna said. The company expects them to end their Prudential coverage by the end of next year. Aetna bought the Prudential unit in 1998.

Aetna also plans to close unprofitable H.M.O.'s that insure 140,000 Medicare beneficiaries and sell or close health maintenance organizations that cover 300,000 to 350,000 employees of private companies.

Companies in other industries, including credit card companies, are also trying to discourage unprofitable customers by raising fees, while many other companies, including airlines and department stores

the type of customers they find most attractive and give them extra service or better prices, or both. But Aetna, by increasing premiums by as much as 11 percent to 13 percent in some cases, risks losing some of its best customers — the younger, healthier ones who have relatively few problems and who can look for better buys at other insurance companies.

"Most of the time in the health insurance business, when you aggressively raise premiums, the people who leave you are the people whom you don't want to leave," said Todd Webster, a health care analyst at Banc of America Securities.

Lori M. Price, an analyst at Chase H&Q, a brokerage firm, said, "The risk is that as they raise premiums, they may be more likely to retain the more unhealthy members who can't go to another health plan."

The bulk of Aetna's problems stem from its 1998 purchase of the already money-losing Prudential Health Care unit of the Prudential Insurance Company of America. But Aetna was already suffering from the ill effects of earlier acquisitions — Nycare and U.S. Healthcare — and these acquisitions came at a time

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PRESIDENT-ELECT OFFERS A MESSAGE AIMED AT HEALING

MEETS WITH DEMOCRATS

Bush Cushions Vows to Push
Campaign Agenda With Call
to Bridge Differences

By ALISON MITCHELL

WASHINGTON, Dec. 18 — President-elect George W. Bush courted Republican and Democratic leaders in the Capitol today and promised to save "whatever wounds may exist" from the election.

Yet Mr. Bush also emphasized that he planned to push for his full campaign agenda, including a broad tax cut, and would use "head knocking" and "gentle arm-twisting" to prevail.

Mr. Bush's triumphant sweep through the capital took place as the Electoral College met in states across the nation and cast the votes that sealed his presidency. In a whirlwind day, he had breakfast with the Federal Reserve chairman Alan Greenspan, met lawmakers, paid a visit to President Jacques Chirac of France and interviewed candidates for his cabinet.

Republicans said that former Senator Daniel R. Coats, Republican of Indiana, was all but certain to be named defense secretary; that Paul H. O'Neill, chairman of the aluminum maker Alcoa, was a strong contender for treasury secretary; and that Ann Veneman, former California agriculture director, was a prospect for secretary of agriculture.

On Capitol Hill, Mr. Bush stood side by side with all four Congressional leaders of both parties. Glancing often at the two Democrats, he vowed that "this isn't a single photo opportunity" but the first step in building a working relationship.

While the president-elect's victory tour of Washington is a ceremonial tradition, this one was marked by strange political and historical cross-currents. Mr. Bush's father, President George Bush, put some of the blame for his defeat on Mr. Greenspan, believing the Fed had not acted aggressively enough to end the recession that helped Bill Clinton defeat him. (Page A21)

And when Laura Bush and Hillary Rodham Clinton shared this morning, Mrs. Clinton was not just a first lady but also a senator-elect whose name is already bandied about as a possible presidential candidate for 2004.

While Mr. Greenspan prefers tax cuts to increases in government spending, he has long argued that the best choice is to use federal surpluses to reduce the national debt. But until a few months ago the Fed's main concern about the economy

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BUSH MEETS WITH GREENSPAN The president-elect had a talk yesterday with Alan Greenspan, chairman of the Federal Reserve. The Fed is scheduled to meet today to discuss the economic downturn. Page C2.

INSIDE

Tire Failures Explained

Firestone engineers attribute the tire failures linked to the deaths of more than 100 Americans to a unique combination of tire and vehicle design, tire manufacturing and customer abuse. PAGE C1

Burmese Imports Criticized

Critics say a Pentagon agency's import of Myanmar-made clothing for sale on U.S. bases violates the spirit of economic sanctions. PAGE A7

Putin Gains on Missile Issue

Russia's leader won Canadian support to bolster a pact he says rules out missile defenses. PAGE A18

A Study of Boys and Sex

A study of the sexual practices of 15- to 19-year-olds boys found that teenagers did not understand the risks of sexually transmitted diseases and were confused about what constitutes abstinence. PAGE A18

Labor Pact in Detroit

The Teamsters' ratification of contracts ended a long, bitter dispute at Detroit's newspapers. PAGE A18

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Signs of Suburbia Near Mayan Ruins



Long before there were places like Scarsdale and Scottsdale, Paoli and Palo Alto, the ancient Maya of Central America appear to have had signs with their own version of suburbia. Archaeologists have uncovered what they say is a prime example of Maya suburbs in the ruins of Caracol in Belize.

Excavations have revealed that beyond the grand palaces at the core of Caracol, one of the largest Maya cities, lay crowded settlements of workshops and modest dwellings of poor construction. They likened this to the neighborhoods and industrial zones that surround the centers of modern cities.

The surprise came when the archaeologists investigated the land beyond this and found evidence of Caracol's wider urban sprawl.

Science Times, Page D1.

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The New York Times

In Maya Ruins, Scholars See Evidence of Urban Sprawl

Outlying Districts Show Remnants of the Strip Malls of Antiquity

By JOHN NOBLE WILFORD

Long before there were places like Scarsdale and Scottsdale, Paoli and Palo Alto, the ancient Maya of Central America appear to have had cities with their own version of suburbia. Archaeologists have uncovered what they say is a prime example of Maya suburbs in the ruins of Caracol in Belize.

Excavations by Dr. Diane Z. Chase and Dr. Arlen F. Chase, archaeologists at the University of Central Florida in Orlando, have revealed that beyond the grand palaces at the core of Caracol, one of the largest Maya cities, lay crowded settle-

ments of workshops and modest dwellings of poor construction. They likened this to the poor neighborhoods and industrial zones that surround the centers of modern cities.

The surprise came when the archaeologists investigated the land immediately beyond this and found evidence of Caracol's wider urban sprawl.

Suburbs of more substantial houses were set among terraced fields and reservoirs. Here and there stood markets and government buildings around open plazas, which the archaeologists contended were not unlike today's strip malls.

"Both the 'mailing' and 'suburbanization' of modern society appears to be reflected within the Caracol data," the Chases report-

ed recently at a conference of anthropologists in Spain. "The similarities in growth patterns between ancient Maya and contemporary urban forms are striking and suggest that similar societal stimuli may have been operating in the past."

The Chases, a husband-and-wife team, have spent 16 years studying the Caracol site. They had earlier challenged the conventional wisdom that the Maya had an invariably simple social structure divided sharply between the rulers and nobles on top and the multitude of poor working peasants.

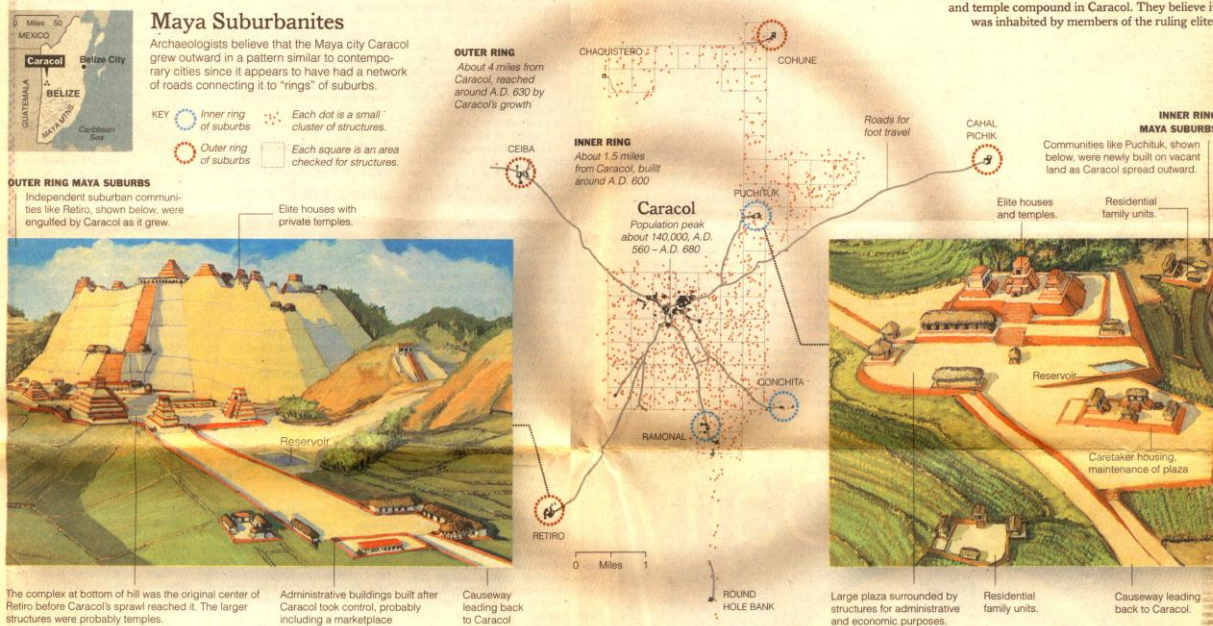
In the tombs and other ruins of Caracol, the Chases report-

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Diane Z. Chase

Archaeologists have partially excavated this palace and temple compound in Caracol. They believe it was inhabited by members of the ruling elite.

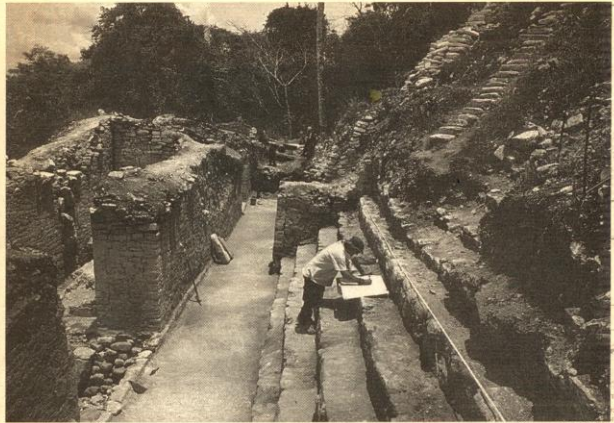


Sources: Dr. Diane Z. Chase, Dr. Arlen F. Chase, University of Central Florida

The New York Times Illustrations by Michael Rothermel



The archaeologists Arlen and Diane Chase at the excavation of a residential building outside the city center of the former Caracol settlement in Belize. The Chases spent 16 years studying the Caracol site.



The largest complex in the former city center of Caracol was Caana, which contained a combination of palaces and ritual rooms that were accessible by a central summit stairway.

In Maya Ruins, Scholars Find Evidence of the Strip Malls of Antiquity

Continued From First Science Page

they found evidence of a growing middle class in Maya cities.

The findings dispute another commonly held idea, which is that the Maya organized their cities so that the richest lived at the core and the poorest on the outside. This traditional model stemmed from the 16th-century ethnohistory written by Diego de Landa, a Spanish bishop.

Like other Maya specialists, Dr. Joyce Marcus of the University of Michigan said the research on the dispersed settlement patterns of Caracol was "highly interesting and important" and represented an overdue extension of Maya urban studies beyond the elite city centers.

"For the first 100 years of Maya archaeology, we concentrated on the downtowns," Dr. Marcus said. "We are just beginning to explore the peripheries, and it's a new frontier, literally."

Dr. Arthur Demarest, a Maya archaeologist at Vanderbilt University in Nashville, said that he tended to agree with the Chases' thesis.

"Caracol's dispersed parts do appear to be more economically integrated than those in most Maya centers," he said.

Archaeological evidence shows that people lived at the Caracol site

from about 600 B.C. through A.D. 1050, a period that included the Maya civilization's ascendancy. The city reached the peak of its power in the southern lowlands between A.D. 560 and 680, when its population may have grown to as much as 140,000. Only Tikal in Guatemala and Calakmul in southern Mexico rivaled Caracol's size in this period.

From ground surveys and satellite photography, archaeologists mapped a system of roads over causeways radiating from the city's center like the spokes of a wheel. These were the roads, the Chases argued, that bound the outlying settlements into an integrated urban whole.

These roads were raised above the generally low-lying terrain to guarantee travel in the rainy season. They were for travel by foot, there being no horses or other beasts of burden in pre-Columbian America. Some of the roads ended at plazas about a mile and a half from the center, out in the nearest zone of suburbia. Branch causeways led from the plazas to high-status residential settlements.

A few of the main roads extended beyond to another distinct band of suburbs, between three and five miles out. Here the Chases found several clusters of nonresidential buildings — the strip malls of antiquity. In at least two cases, they said,

the roads seemed to end at plazas centered around pre-existing settlements, perhaps early examples of urban sprawl engulfing once independent communities.

Dr. Diane Chase saw in this pattern an ancient corollary to the modern phenomenon described by Joel Garreau, an urban theorist, in his 1991 book, "Edge City."

Edge cities are suburban communities where people not only live in the shadow of a larger city but also have developed additional means of creating wealth outside the direct influence of the central city. These places build their own retail, corporate and administrative infrastructure, becoming smaller epicenters within a larger megalopolis.

Such a suburban pattern came into focus about three decades ago with the first new clusters of high-tech commerce and residential complexes along Route 128 in the Boston environs.

"Data on the layout of Caracol and on the growth of the city suggest an unplanned development similar to that of contemporary urban edge cities, but with a scale more appropriate to foot travel rather than to wheeled carriage or automobile travel," the Chases concluded in their report.

Other Maya specialists, asked to comment on the suburbs thesis, said

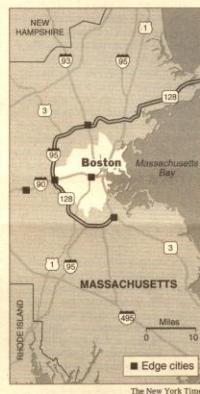
the most critical issue concerned just how closely integrated the fringe settlements were into the economic life of the city center. If their economic ties were strong, this may indeed have been an example of suburbia in a more or less modern sense. Otherwise, these were simply neighboring but probably independent communities.

"The Chases see Caracol integrated by the system of causeways, and that probably justified their thinking of it in terms of suburbs," Dr. Demarest said.

In the past, archaeologists have mapped causeways leading out from the heart of several Maya cities. They have usually been interpreted as roads for ritual processions leading from the central palaces and temples to outlying ritual centers.

"I tend to agree with the Chases," Dr. Demarest said, "that the causeway system at Caracol is extensive, more than if it was just for ritual purposes, and so was probably a multifunctional road system with what might be called economic traffic."

The social status of people living in different parts of the city was inferred from the size of residential buildings, the quality of stonework, the distribution of prized objects like jade and mirrors and the bones of those buried there.



The suburban pattern exemplified by the Route 128 corridor around Boston was described by Joel Garreau in his book "Edge City."

An analysis of their bones provided clues to the diets of the people. Dr. Christine White and Dr. Fred Longstaffe of Western Ontario University, in London, Canada, found that people ate best in the palaces at the city center and ate worst in the settlements just beyond the core, the Maya equivalent of the slums of modern cities. Then the diets improved in the suburbs, where increased physical space between families may also have led to healthier living.

How typical Caracol's suburbia was of other Maya cities remains beyond current knowledge.

Dr. Marcus, who has excavated at Calakmul and specializes in Mesoamerican urban settlement patterns, said that archaeologists lacked sufficient mapping and other data from other sites to judge whether the apparent suburbs at Caracol are typical or rare in the Maya civilization.

Typical or not, Dr. Arlen Chase said, the suburbs at Caracol appear to have been more durable than the city center.

Excavations this year uncovered evidence that Caracol was in the midst of a new building boom when it collapsed suddenly in 895, probably the result of an invasion. The society's elite abandoned the city center, but life continued in the suburbs.