Terrorists Destroy N.Y. Trade Center, Hit Pentagon (Update18)

(Adds comments from Rumsfeld in eighth and 11th paragraphs.)

New York, Sept. 11 (Bloomberg) -- Terrorists crashed hijacked commercial airliners into the World Trade Center and the Pentagon, potentially killing thousands when New York's 110-story twin towers collapsed after two fiery impacts.

A fourth hijacked jet that was part of the worst terrorist attack in U.S. history crashed in Pennsylvania.

Rescue forces confronted fires and mountains of twisted steel and concrete as they sought to find trade center workers and visitors entombed in the smoking rubble. More than 40,000 people held jobs in the seven buildings near the southern tip of Manhattan. The death toll was unknown.

President George W. Bush vowed to "hunt down and find those folks who committed this attack." No group claimed responsibility. Bush was to address the nation this evening.

Bush Returns

Landmark buildings, such as the 110-story Sears Tower in Chicago and the Space Needle in Seattle, closed. Coca-Cola Co., whose red-and-white symbol is known the world over, shut its main Atlanta office as a precaution. Disney World in Orlando, Florida, shut down, as did Disneyland in Anaheim, California.

Bush, who was in Florida when the attack occurred, flew to Air Force bases in Louisiana and Nebraska, before returning to Washington.

Defense Secretary Donald Rumsfeld said the government continued to run. The U.S. "is functioning in the face of this terrible attack," he said at an evening news conference. "The Pentagon is functioning. It'll be in business tomorrow."

At the U.S. Capitol, lawmakers stood and sang "God Bless America" after a brief news conference by congressional leaders.

In New York, Mayor Rudolph W. Giuliani said the toll would be "more than any of us can bear."

Rumsfeld said it was "not possible to have solid casualty figures at this time" from the crash at the Pentagon, headquarters for the U.S. military.

New York Explosions

The first plane slammed into the trade center's north tower at about 8:50 a.m. New York time, sending smoke and flames billowing from the building. Television cameras captured the second aircraft hitting the south tower at about 9:06 a.m. Workers leaped to their deaths as flames and smoke poured from the upper floors.

"I will never get rid of that sight," said Tom Russo, Lehman Brothers Holdings Inc.'s chief legal officer, who witnessed the scene from the 10th floor of the company's headquarters across the street.

One tower collapsed at 10 a.m. and the other fell at 10:28 a.m. as police and fire officials rushed to clear the area. Two more buildings in the trade center complex collapsed at 5:23 p.m.

At least 1,500 injured people were taken to
a park across the Hudson River in New Jersey, Giuliani said. He said 600 people were being treated at hospitals, including 150 in critical condition. The death toll was unclear.

Another plane hit the Pentagon, in Arlington, Virginia, just outside Washington, at about 9:41 a.m. At least 53 people were injured in the Pentagon attack. An hour later, the fourth plane went down in Pennsylvania.

High Alert

U.S. military forces were on the highest alert, Bush said.

Terrorism experts said the attack took months or years to plan.

Osama Bin Laden, an exiled Saudi Arabian terrorist who issued a threat against the U.S. about a month ago, is a likely suspect, said Gary R. Perlstein, a professor on the administration of justice at Portland State University and author of the 1991 book "Perspectives on Terrorism."

Rumsfeld wasn't ready to go that far. "It's not the time for discussions like that," he said.

Abdel Bari Atwan, editor of Al Quds, a London-based, Arabic language Palestinian daily newspaper, said he received warnings in recent weeks from supporters of Bin Laden that an attack against U.S. interests was imminent.

AMR Corp., the biggest airline, said its American Airlines lost two aircraft: Flight 11, a Boeing 767 from Boston with 81 passengers and 11 crew aboard; and Flight 77, a Boeing 757 from Washington's Dulles airport with 58 passengers and six crew aboard. Both were bound for Los Angeles.

UAL Corp. said two of its United Airlines flights crashed: Flight 93 from Newark, New Jersey, to San Francisco crashed 70 miles southeast of Pittsburgh, with 39 passengers and 7 crewmembers aboard. The Chicago-based airline's Flight 175 from Boston to Los Angeles, with 56 passengers and 9 crewmembers, also crashed, UAL said.

The planes from Boston were those that crashed into the trade center, said Joseph Lawless, an official with the Massachusetts agency that runs Logan Airport in Boston. With the United flight from Newark crashing in Pennsylvania, that would mean American flight 77 from Washington hit the Pentagon.

Shoes, personal clothing, and luggage were scattered for blocks around the trade center, along with pieces of airplane and broken glass.

Witnesses who heard the initial plane crash witnessed the second attack.

The second plane "went right into the building," said Gary Brautman, a consultant who lives in Greenwich Village, north of the trade center complex. "That is one of the scariest things I've seen in my life."

About 40,000 people work in the World Trade Center each weekday, and 50,000 commuters take trains that connect New York and New Jersey and terminate at the towers. Emergency workers were evacuating the buildings when they collapsed.

Rescue efforts were hampered by fires that swept the collapsed buildings.

"It's not a fire, it's hundreds of fires. The whole complex is burning," said Chris Connor, a firefighter with Engine Co. 6 in lower Manhattan. "Dozens of cars are on fire." All of those flames have to be put out before rescue efforts begin, he said.

Hundreds of Patients'

"We've seen hundreds of patients, maybe more," said Dr. Howard Beaton, chief of surgery and emergency services at NYU Downtown hospital, which is just blocks from the Trade Center. Three were dead on arrival, he said. "I can anticipate there will be additional casualties found as time goes on and they pick through the rubble."

Doctors from all over the world were attending the American Board of Surgery conference in midtown. They were sent to help downtown.

Morgan Stanley Dean Witter & Co., the
biggest tenant in the World Trade Center, said it was working to learn the fate of its 3,500 employees there. Keefe, Bruyette & Woods Inc., an investment bank based in the twin towers, was "trying to get together a list of people and where they are and how they are," Joan Feldman, an employee of the firm, said in an interview on WABC-TV.

Cantor Fitzgerald LP, which trades about one-quarter of the U.S. government bond market, was headquartered on the 32nd floor of 1 World Trade Center, the north tower.

Companies Close

Companies around the country sent workers home. Lehman Brothers closed its trading operations across from the trade center and moved executives to midtown offices. In Charlotte, Bank of America Corp. sent its 12,000 workers home. In Germany, the Deutsche Boerse halted stock trading early.

The attack was the second on the World Trade Center. In February 1993, terrorists set off a bomb in an underground garage at a spot they believed would cause the collapse of both towers. That explosion killed six. Ramzi Yousef was captured in Pakistan and convicted of masterminding the bombing.

The worst terrorist attack in the U.S. occurred in 1995, when Timothy McVeigh bombed a federal building in Oklahoma City, killing 168 people. McVeigh was convicted and executed in June.

The trade center, a 10 million-square-foot complex, is owned by the Port Authority of New York and New Jersey, which had its headquarters in the buildings. The complex is also home to offices of Credit Suisse First Boston, Bank of America and Deutsche Bank.

The attacks sent world stock markets plunging, with benchmark indexes in France, Germany and the U.K. falling more than 5 percent each. Germany's DAX lost 8.5 percent, the biggest decline of the major European indexes.

In London trading, crude oil surged to an eight-month high and gold soared 7 percent to its highest level in 3 1/2 months. The U.S. dollar dropped 2.8 percent against the Swiss franc and 1.9 percent against the euro.

Before securities markets in the U.S. were closed, Treasuries rose as investors sought securities that could hold value if there were more attacks. The 30-year bond gained 1 1/2, or $15 for each $1,000 security, to 99 18/32, lowering its yield to 5.34 percent.

The New York Stock Exchange said that it, the Nasdaq Stock Market and the American Stock Exchange would decide tomorrow in consultation with the Securities and Exchange Commission when to resume trading in U.S. financial markets.


Story illustration: For news on New York, enter {TOP NYC <GO>}. 
Scene at the Pentagon After Terrorist Attack: 'A War Zone'

Washington, Sept. 11 (Bloomberg) -- Window washer James Mosley was four stories up on a scaffold outside the Navy Annex building abutting the Pentagon when the plane flew overhead.

``The building started shaking, and I looked over and saw this big silver plane run into the side of the Pentagon,'' said the 57-year old. ``It almost knocked me off. I couldn't believe it.''

At 9:41 a.m., a hijacked American Airlines jet gunned its engines and followed nearby I-395 highway lower and lower, clipping telephone poles and narrowly missing the control tower for the Pentagon's helicopter pad before it plowed into the side of the U.S. military's headquarters.

The plane tore a v-shaped gash about 40 feet wide in a new section of the five-story building called the "New Wedge" that houses Army and Navy offices. Some witnesses say the noise came first; some say the fire. Yet all describe a fireball followed by a rising blanket of black smoke.

At least 149 have been reported injured, either treated at a makeshift "triage center" outside the Pentagon or taken to local hospitals. No deaths have been reported although fire was still raging within the building hours after the crash, complicating rescue efforts.

``There probably are people trapped inside,'' said John Jester, chief of Defense Protective Services.

Firefighters, engineers, doctors and nurses arrived from Virginia, Maryland and as far away as Tennessee to begin what will inevitably be a daunting rescue job.

The Pentagon, military officials say, is like a city. It has 23,000 employees in 3.7 million square feet. It has its own newspapers, transportation and security forces.

The first goal is to knock down the fire, extinguishing burning fuel and debris -- no small task, according to Janet Clements, a spokeswoman with the Virginia Department of Emergency Medical Services.

``You definitely want to preserve the safety of your responders so you don't want to send them into an area that is burning,'' she said.

'A War Zone'

Watching from outside, 37-year-old Donna Baez described the scene immediately after the crash as "a war zone, like the ones you see in the movies.

``You could smell it,'' she said. ``You could taste it. The plane took out a section of the Pentagon, and the flames were spreading, raging out of control. It's unbelievable."

'I Saw A Fireball'

The Pentagon was ground zero of a crisis that triggered the immediate shutdown of official Washington.

``I saw a fireball before I heard any noise,'' said John Janicki, a civilian employee with Radian, a security firm that works with Pentagon. He said he was in a fourth-floor office on side of building that was hit.

``I ran down the hall and saw a wall blow in,'' he said.

Bill Wright, an Army civilian employee, said he was on the first floor in a room near the blast. "We heard a large boom," he said. "I felt something fall out of the ceiling and hit me in the head."
Wright said the next thing he knew, he was in a smoke-filled corridor without his glasses. There he groped until an Air Force officer helped him from the building.

Defense Secretary Donald Rumsfeld was in his office "when he felt the concussion," Jester said. He ran to the crash site and helped put people on stretchers, then went to the military command center which, though smoky, was deemed fit for duty.

Others streamed from the building in military uniforms and civilian clothes. "I heard a blast, and we were immediately told to evacuate," said Army Staff Sergeant Chauncey Reed, 29.

"It was chaos," he said. "Once we got outside, we just wanted to get as far away as we could. People were running from every direction. With the first blast, I didn't know if it was a bomb or what. My initial reaction was if there was one, there could be another."

'We're Under Attack Here'

Tom Trapasso, 41, lives less than a mile from the Pentagon and has become accustomed to helicopters and commuter planes flying overhead. But he knew this was no fly-by.

"I was out on my deck talking to my mom when I saw the plane," he said. "There were no wheels down. It was screaming loud and going very fast. I said 'Oh my god,' and ran into the house to take cover and heard the loud explosion and felt the ground shaking. I told my mom: 'We're under attack here.'"

In the Navy Annex, 45-year-old Tyrone Ford and his maintenance crew were working on the fire alarm system when the jet crashed.

"I heard something fly low overhead," he said. "You could feel the vibrations through the building. I never heard a plane fly that low. It kind of scares you," he said. "All of a sudden, I ducked down and looked out the window and saw a big ball of flame."

--Glen Justice, Laura Smitherman and Tony Capaccio in Washington at (202) 624-1984 or gjustice@bloomberg.net with reporting by Dan Goldstein and John Rega. /wfs

Story illustration: For related news see the following {TNI EXE BN<GO>
Reporters Barefoot Journey in New York: First Person Account

New York, Sept. 11 (Bloomberg) -- I was in the Marriott World Trade Center hotel and thought I was hallucinating. There was an explosion next door at the World Trade Center, not a hundred yards from my window on the 17th floor, and I could see the flames.

It looked like a movie set, a giant hole where some floors used to be. I got scared, so instead of continuing to phone headlines to my editor, I told him it was time to go. My room's windows were cracking. Water was starting to flow in from somewhere. I grabbed my cell phone and tape recorder, pulled on pants and my shirt.

Then, without stopping to put on shoes -- I also left my wallet, keys, computer and luggage -- I ran down the hall, banging on doors to ask people if they needed help getting out. The hotel's emergency warning system kept telling us to stay in our rooms. Most people weren't paying attention. We were afraid the towers would collapse and kill us. One woman wouldn't budge with her child. She refused to panic but I was losing it, so I said good luck and ran.

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In the stairwell, people were running, dragging luggage and screaming. A woman fell, grabbing my shirt and ripping it. My tape recorder and cell phone went flying. I kept running but don't remember going down the 17 flights. After a while, I wasn't aware of any noise on the stairs. People seemed polite in their rush to escape. I don't know how long it took but I finally managed to get down the stairs.

'Something Wrong'

With the others, I went out the door farthest from the trade center. We ran as it continued raining debris. Then another plane crashed into the second tower. For a minute we stood and gawked at the two buildings with holes in them. Flames were shooting out. People were bloodied, sobbing. High-heeled women's shoes were everywhere.

I bumped into Mark Vitner, an economist with First Union Securities Inc. in Charlotte, who was at a conference at the Marriott when the planes crashed.

Vitner said he was taking notes as Robert Scott, president of Morgan Stanley Dean Witter & Co., was speaking on the future of the financial services industry.

There was a loud explosion, Vitner said, but Scott kept talking. "Then the building shook and we knew something was really wrong," Vitner said.

While some of the economists dove under tables, Vitner and others headed for the door. As Vitner and I talked, the first tower fell in front of us. We started running south toward the tip of Manhattan. We gathered in a cloud near the ferry. Choking as the smoke reached us, we covered our mouths and eyes. People began running one way, then the other, at the sounds of the World Trade Center collapsing.

Barefoot and Lost

Many in the crowd decided to head to the Brooklyn Bridge. The dust was covering us, as if after a volcanic explosion. A black woman took my hand as we ran. She gave me a tissue. We ran hand in hand through the smoke. We pounded on the doors of some office buildings and stores, trying to flee the smoke.

By the time I reached the Brooklyn Bridge, the crowds seemed smaller. I started walking north, still barefoot. The air was clear and I saw for the first time that it was a beautiful day.

Then I started sobbing and couldn't stop when I realized that many, many people had
been killed. I told some cops I had been an Army medic and could help. They told me I wasn't needed.

As a Chicagoan, I suddenly realized that I was lost. An Israeli, Alex Nachman, who works at the Federal Reserve Bank of New York, showed me the way and gave me $10 for something to drink. He showed me a picture of his young son, and headed to his school.

I now had enough money for the subway. It was closed and there were no taxis. So I walked the 60 or 70 blocks to my office.

I was barefoot, out of money and clothes -- and felt very lucky.

--Andrew Ward through the New York newsroom (212-318-2331) or at award1@bloomberg.net /fk

Story Illustration: For more news about the attacks, type: {EXTRA <GO>}. 
Bush Routine Day Transformed Into Test of Presidency (Update4)

(Add Bush comments in second, sixth and seventh paragraphs.)

Sarasota, Florida, Sept. 11 (Bloomberg) -- For Franklin Roosevelt, the presidential test was Pearl Harbor. For John Kennedy, it was the Cuban missile crisis. Now, George W. Bush will be linked through history with the biggest terrorist attack on the U.S., and how he responds will define his presidency.

In the space of two hours this morning, two hijacked jetliners demolished New York’s twin World Trade Center towers, a third struck the Pentagon in Washington and a fourth crashed southeast of Pittsburgh in what Bush called “evil, despicable acts of terror.” Bush cut short a trip to Florida and flew to Air Force bases in Louisiana and Nebraska to gather information from his national security advisers and map strategy, before heading back to Washington. The new president now must demonstrate leadership on a world stage in a major crisis, from tracking down those responsible, to fixing breakdowns in intelligence-gathering and airport security, to reassuring a rattled nation, analysts say.

``Everybody that studies the presidency says you need a great crisis to be a great president,'’ said Michael Haselswerdt, chairman of the political science department at Canisius College in Buffalo, New York. `’We will see what kind of leadership that he provides.’’

``This is a watershed event,'’ said Robert Manning of the Council on Foreign Relations.

Sending a Message

Speaking to the nation from the White House tonight, Bush said the attacks “can shake the foundations of our biggest buildings, but they cannot touch the foundation of America.”

A search is under way for the people behind the attacks, Bush said. “I’ve directed the full resources of our intelligence and law enforcement communities to find those responsible and to bring them to justice. We will make no distinction between the terrorists who committed these acts and those who harbor them.”

Bush must `’try to prevent panic,'’ said Michael Munger, chairman of Duke University’s political science department. “The perception that he is able to project is really important,” he said.

``It will make a difference if the American people feel like someone is working on finding out who’s responsible and taking counter measures. It’s the sense of helplessness that makes people upset,” Munger said.

Many analysts said the closest comparison to today’s attacks was Japan’s bombing of Pearl Harbor, Hawaii, on Dec. 7, 1941. That surprise attack left 2,403 Americans dead and 1,178 injured. Americans who were divided by the prospect of entering World War II united behind President Roosevelt.

“`This is our Pearl Harbor,'” said Larry Sabato, professor of political science at the University of Virginia. “There is nothing that even comes close. Now I understand what my father told me about that day.”

Compassion and Vengeance

``If he finds a message with the right mix of `’compassion and vengeance,’ Bush `’probably has more support right now for whatever he does than he will have at any other point in his presidency,” Sabato said.

Roosevelt's address to the nation, in which he said the day would live “in infamy,” helped pull Americans together.

Professor Jim Davis, who teaches politics at Washington University in St. Louis, Missouri,
said Bush should go to ground zero of the terror attacks.
``If I were his adviser, I'd tell him to go to New York,'' Davis said. ``Winston Churchill was able to reinvigorate the spirits of the British people by walking among the ruins in the Blitzkrieg.''

'Really Complex Situation'

The terrorists' ability to coordinate four airliner hijackings without being detected presents Bush with a "really complex situation," said Manning.
``These were not international flights,'' Manning said. ``That means there's an extremely sophisticated domestic terrorist network. I would suspect they had some of their own pilots on the plane as well.''

Bush will come under pressure to act too quickly, said Alfred Rubin, a Tufts University professor of international law.
``A lot of people will be pressing Bush to lash out and retaliate, but his biggest test may be whether he can withstand the pressure and show restraint, at least until a culprit is certain,'' Rubin said.
``It sure smells like Bin Laden,'' Manning said. But ``you need to know who to retaliate against.''
``Military action would certainly be appropriate. There are different things you could do,'' he said. ``Whatever we do we're not going to feel we've adequately responded. It's horrendous.''

U.S. intelligence agencies' failure to uncover the terrorists' plans "raises questions about our government," Manning said.

One immediate response must be a top-to-bottom reorganization of domestic security forces, he said. "We have to reorganize our government so that you have a seamless network" of defense agencies working together, Manning said.

Agenda on Hold

As the day's events unfolded, Bush made two brief statements to reporters, the first before cutting short his appearance at a Florida school and the second at Barksdale Air Force Base in Louisiana.
``I want to reassure the American people that the full resources of the federal government are working to assist local authorities to save lives, and to help the victims of these attacks,'' he said.

He also said the U.S. would "hunt down and punish those responsible for these cowardly acts."
``This Congress will be united behind this president,'' said Senator Kent Conrad, a North Dakota Democrat who as Budget Committee chairman has led critics of Bush's budget.

When the president arrived in Florida yesterday, he was concerned about the economy and interested in trying to get his education bill and faith-based initiative through a skeptical Congress.

That agenda is now on hold, and if history is a judge, will remain on hold for some time while the U.S. reacts to the attacks.

Bush has been "suddenly hit with a version of Roosevelt and Pearl Harbor, Kennedy and the Cuban Missile Crisis, Truman and Korea, and to a lesser extent, Clinton and the Oklahoma City bombings," said Fred Greenstein, professor of politics at Princeton University. "How he composes himself is crucial. If ever there was a time to avoid his instinct to show he's like the common man, this is it."

--David Morris in Sarasota, (240) 401-4502 or dmorris@bloomberg.net, with reporting by Richard Keil with the president, and Holly Rosenkrantz, William Roberts and Heidi Przybyla in Washington/rdm/mmw/ba/sm*

Story illustration: For more news on the terrorist attacks, see {EXTRA <GO>}
Attacks Called Worst Intelligence Failure for U.S. (Update5)

(Adds Hamilton, other comments in sixth, 11th paragraphs.)

Washington, Sept. 11 (Bloomberg) -- The surprise attacks on the World Trade Center and the Pentagon today, the worst acts of terrorism on U.S. soil, represent the nation's most serious intelligence failure since the Japanese bombed Pearl Harbor almost six decades ago, experts say.

``We have never seen this kind of coordinated assault, anywhere, ever,'' said Jonathan Winer, former deputy assistant secretary of state for international law enforcement.

Winer and other former officials with backgrounds in intelligence said one mystery was how the attackers could have coordinated an assault involving several planes without the U.S. government picking up some indication from electronic eavesdropping conducted by the National Security Agency.

Experts suggested some of the coordination may have occurred inside the U.S. and thus bypassed U.S. intelligence gathering. U.S. intelligence agencies were expected to review what intercepts have been made over the past several months to look for missed clues.

Success, Failure

``We have failed our people today because we did not have an advance notice of this,'' said Representative Curt Weldon, a Pennsylvania Republican. Capitol Hill Police said there was no advance warning of an attack, he said.

Lee Hamilton, former Democratic chairman of the House Intelligence Committee, said U.S. intelligence has thwarted other terrorist operations. ``There have been a lot of incidents where we have stopped them successfully,'' Hamilton said. ``We obviously failed here."

Analysts puzzled over how a terrorist group could get inside several planes and navigate them into the World Trade Center buildings and the Pentagon.

They questioned whether any commercial airline pilot, even one with a gun to his head, would crash a plane into a heavily occupied building. Some theorized that the hijackers themselves were trained pilots.

Bin Laden Suspected

Senator Orrin Hatch, a Republican from Utah, said he was told in a briefing by the highest levels of the FBI and the intelligence community that ``they've come to the conclusion that this has the signature of Osama Bin Laden,'' according to CNN.

So far, no organization has taken responsibility for the attacks.

Abdel Bari Atwan, editor of the London-based Al Quds newspaper, said he received prior word about a planned attack on the U.S. ``Four weeks ago, I was telephoned by supporters of Osama bin Laden warning that there would be attacks soon,'' said the editor of the Arabic-language periodical widely distributed in the Arab world.

Bin Laden, who issued a threat against the United States about a month ago, is an obvious suspect, said Gary R. Perlstein, a professor on the administration of justice at Portland State University and author of the 1991 book "Perspectives on Terrorism."

``Bin Laden has probably one of the best coordinated terrorist groups around and what happened today shows tremendous coordination,'' Perlstein said. "I do not know of any domestic group that's this well-organized."
Unprecedented Assault

Senator Richard Shelby, an Alabama Republican on the Senate Intelligence Committee, called the ``well-planned'' attacks ``a wake-up call for America.''

Never before has a large-scale terrorist attack on the U.S. been coordinated successfully in more than one U.S. city -- or on even more than one target in a single city, terrorism experts said.

Until today, the worst act of terrorism in the U.S. was Timothy McVeigh's 1995 bombing of a federal building in Oklahoma City, which killed 168, including 19 children.

Today's assault ``certainly raises very serious questions of a lapse in our national security,'' Senator Kent Conrad, chairman of the Senate Budget Committee, said after getting a briefing from Capitol police officials.

Planning such a coordinated attack would have taken months, perhaps years, experts said.

``This is not something that happened just randomly or that was put together in a week,'' said Matthew Devost, founding director of the Terrorism Research Center in Washington. ```This is something that has been planned and coordinated, and that someone put some extensive effort into.''

Mystery

Another mystery is how the hijackers could have gained entry to the planes through means other than sneaking weapons past metal detectors, said Jim Dobrei, vice president of Garrett Metal Detectors in Garland, Texas.

The metal detectors are ``very effective when they're set properly, and they're very effective when they're operated properly,'' Dobrei said. ```We have not been aware of a lot of weapons getting through the screening at all. You would hear about that, and FAA is constantly testing for that.''

Even more than the previous World Trade Center bombing or the attack in Oklahoma City, today's attacks will make Americans very aware of just how vulnerable an open democracy can be, experts said.

``It's just an attack of extraordinarily sophisticated planning,'' said Michael R. Fischbach, a professor of history specializing in the Middle East at Randolph-Macon College in Ashland, Virginia. ```The world that we know has now changed.''

--Anna Marie Stolley, Susan Decker and Robert Parry in Washington, (202) 624-1921 or astolley@bloomberg.net, with reporting by Paul Basken and Greg Stohr in Washington and Thomas Tugendhat in London/pjh/jhr

NSA is a Defense Department agency that collects ``signal intelligence'' through spy satellites and other clandestine means.

Winer said U.S. intelligence agencies ``collect everything'' in terms of signal intelligence, including overseas telephone communications, and will go through everything from the last two months and `look at what shards they can find.''

Surprise Attack

On the morning of Dec. 7, 1941, Japanese aircraft launched a surprise attack on American naval base at Pearl Harbor. A total of 2,403 Americans were killed, including 68 civilians, and 1,178 military and civilian people were wounded, according to the Naval Historical Center in Washington.

The failure of U.S. intelligence to prevent the surprise attack on Pearl Harbor led to the creation of the modern U.S. intelligence agencies, including the Central Intelligence Agency.

Under U.S. law, the CIA has primary responsibility for coordinating foreign intelligence and the FBI internal security. The
Air Travelers to Face More Security After Attacks (Update3)

(Adds security expert's comments in 13th-15th paragraphs.)

Washington, Sept. 11 (Bloomberg) -- Air travel in America will cost more and take longer, as airlines boost security after at least four planes were hijacked and three of them flown into New York's World Trade Center and the Pentagon in Washington.

``Everything will be different from here on,'' said Darryl Jenkins, executive director of the Aviation Institute at George Washington University in Washington. ``A lot of the liberties we take for granted will be gone.''

U.S. airports were shut down in response to the attacks and will remain closed until noon tomorrow. As they reopen, security will be tighter, with the costs for the additional personnel and improved technologies eventually being passed on to airline passengers, said Kevin Mitchell, chairman of the Business Travel Coalition, a lobbying group for corporate travel.

Airlines are expected to impose additional security measures voluntarily or in response to regulators' demands. Experts say measures may include closer passenger scrutiny, more thorough investigations of employee backgrounds and the addition of technologies that previously may have been considered too expensive, experts said.

``This is the 21st century equivalent of Pearl Harbor,'' said Mitchell. ``Every security option that's available is going to get a second look in light of all this.'' Devices that identify people by scanning their eyes are one example he cited.

Authorities have not said how the two AMR Corp. aircraft and two planes owned by UAL Corp.'s United Airlines may have been hijacked. Two planes hit and destroyed the twin towers of the World Trade Center. A third destroyed part of the Pentagon and a fourth crashed 80 miles southeast of Pittsburgh. The four planes were carrying 252 passengers and 33 crew members, according to the carriers.

Security Breached

FAA spokeswoman Diane Spitaliere said the agency ``couldn't speculate'' on how security at U.S. airports may have been breached in today's hijackings.

The attackers probably made reservations like any other passenger, used credit cards, bought round-trip tickets and may have traveled with families so that they didn't fit the terrorist profile of paying cash or buying a one-way ticket, Jenkins said.

``They basically circumvented every security process we have out there,'' Jenkins said.

Some of them probably were pilots, with the skills needed to steer and crash the planes into their targets, he said.

In December, the Transportation Department's inspector general criticized the FAA for not doing enough to limit access to restricted areas. Tougher requirements went into effect after a report found security at eight U.S. airports was easily breached in undercover inspections.

In July, the Federal Aviation Administration proposed fines of $99,000 against American Airlines for security violations on six flights last year. The FAA said an inspection by agents found the carrier improperly transported unaccompanied bags on five flights and failed to check passengers' identification or ask questions about checked bags on two flights.

`Marginally Effective' Security
U.S. aviation security is just "marginally effective" for two reasons, said Rick Charles, a professor at Georgia State University in Atlanta who previously worked for Continental Air Lines Inc. and Rockwell International. He cited the lack of sophisticated security devices at most airports and the fact that airline security people are poorly paid.

Only New York's Kennedy Airport, Chicago's O'Hare Airport and Washington's Ronald Reagan National Airport have the most modern security systems, Charles said. Those systems can cost up to $10 million each. A typical airline security installation costs about $500,000, he said.

Charles said even with tight security, some hijackings would be extremely difficult to prevent. "You can kick down cockpit doors and overpower the crew if there enough strong people on the airplane," he said. "I just don't know how you prevent that. Fanatics are fanatics."

'Everything Failed'

While airlines will increase their security measures, aviation security is "more than airlines, it's the Central Intelligence Agency, it's the FBI, it's the White House," Jenkins said. "Everything failed today."

"Better intelligence has to be our No. 1 priority," he said.

Mitchell, whose group represents travelers from Ford Motor Co., Procter & Gamble Co., Black & Decker Corp. and other corporations, said many firms are prohibiting their employees from flying for the rest of the week.

The Business Travel Coalition surveyed several hundred of the biggest U.S. corporations on their air travel plans. Mitchell said 116 of the 187 companies that responded, or 62 percent, said they planned to ban corporate flying through Friday; another 34 percent said they would not ban flying and four percent weren't sure, he said.

"This isn't your typical plane crash where people travel three days later," Mitchell said.
U.S. Economy May Suffer as Terrorism Shakes Consumers (Update2)

(Adds Mundell comment in 22nd-23rd paragraphs. For more on the attacks, {EXTRA <GO>}).

Washington, Sept. 11 (Bloomberg) -- Consumer spending may collapse at a time when the economy is teetering on the edge of recession, as the deadliest terrorist attack on U.S. soil shakes Americans' confidence and threatens business, analysts said.

"The chances of a real recession are many times higher than they were yesterday," said Roger Kubarych, chief U.S. economist for HVP Group in New York. "Yesterday, I would have said that the probability is very slight. Now, I would say that the probability is 50-50."

In a series of attacks, hijacked airplanes destroyed the World Trade Center in New York and crashed into the Pentagon in Washington. The death toll is likely to exceed that of the 1941 surprise attack on Pearl Harbor that killed 2,400 people.

"People's minds aren't on shopping," said Debbie Koopman, vice president of corporate and investor relations at Spiegel Inc. in Downers Grove, Illinois, whose stores include Eddie Bauer.

The economy expanded at a 0.2 percent annual rate from April through June, the weakest quarter in eight years. With consumer spending accounting for two-thirds of gross domestic product and consumption keeping the economy afloat, any sustained interruption of business may limit a rebound, analysts said.

Walt Disney Co. closed its theme parks. All air flights were grounded. Retail outlets such as Mall of America in Bloomington, Minnesota, shut their doors. Mall of America has more than 500 stores, employs more than 12,000 people, and attracts as many as 42 million visits annually, the mall's Web site says.

Stores Closed

"We have closed stores throughout the country, as appropriate, in major markets such as New York, Boston, Chicago and San Francisco," said Margery Myers, spokeswoman for Talbots Inc., a Hingham, Massachusetts-based retailer of clothing for women and children. The company has 768 stores.

Even Major League Baseball canceled its games tonight. That may be just the beginning.

"At least for a couple of more days a substantial amount of economic activity will remain paralyzed," said Thomas Carpenter, chief economist at ASB Capital Management.

"It's clear that when you send everybody in the country home and you freeze all the airplanes, airlines will remain grounded for days, that will interrupt normal work activity. That will have a temporary but real negative effect on economic activity."

Robert Atkinson, director of investor relations at Too Inc., a clothing retailer in Columbus, Ohio, said he expects a slowdown in the movement of goods.

Freight Shipments

"We use air freight to ship most merchandise from our distribution center in Columbus to various stores around the country," he said. The terrorist attack "will have some short-term impact but given the tragedy of today's events, it pales in comparison."

A measure of consumer confidence from the Conference Board fell to its lowest level in more than eight years after the start of the Persian Gulf War in January 1991. Confidence is regarded as an indicator of consumption. Personal spending during that same month fell 0.4 percent.
Loss of consumer optimism "spells a lot of trouble for the U.S. economy," said David Littman, senior economist at Comerica Bank, in Detroit.

The economy has already had its weakest 12 months of growth since the 1990-91 recession. Federal Reserve policy makers have reduced interest rates seven times this year to prevent the slowdown from becoming worse.

Looking for Rebound

Before today, central bankers were saying weakness would persist for a while. "The common view is the revival will be a little later and somewhat slower than people thought three or four months ago," William Poole, president of the Fed Bank of St. Louis, said yesterday in New York.

Economists have been forecasting an eventual rebound. The Blue Chip Economic Indicators consensus forecast released in August showed the economy would probably expand at a 1.7 percent rate in the current third quarter and a 2.8 percent pace in the final three months of the year.

Economists say the third quarter will be much weaker after today's events. The economy in the current quarter "will probably show no growth to a contraction," Littman said.

Stocks will likely decline. "Whenever you've had these things before, you've had big drops," Kubarych said. "This will put a lot of pressure on the Fed to lower rates."

With U.S. stock markets closed, trading was concentrated in Europe today, where shares slumped. The U.K.'s FT-SE 100 Index plummeted 5.7 percent and France's CAC 40 lost 7.4 percent, the biggest declines since the market crash of October 1987.

Over the longer term, the economy may benefit from rebuilding efforts and as consumers slowly regain confidence.

While there may be adverse effects from today's attacks, "what the government does may go in the other direction," said Robert Mundell, professor of economics at Columbia University and 1999 winner of the Nobel Memorial Prize in Economic Science.

"You're going to have a new building, and there may be a step up in military" spending, Mundell said.

Government statistics show that spending rose 0.6 percent in February 1991 and 1.1 percent in the following month after the U.S. and its allies brought a quick end to the Gulf War. The Conference Board's consumer confidence index, which fell to 55.1 in January 1991, surged two months later to 81.1.

October 1987

Following the October 19, 1987, stock market crash, the Fed provided cash to banks and securities firms to keep financial markets functioning. "The Fed is the lender of last resort," Fed Governor Edward Gramlich said today in Tucson after the attacks. "If credit is needed to make transactions go, the Fed will provide it." Gramlich said he was making that statement "in the spirit" of a similar statement from Fed Chairman Alan Greenspan in 1987.

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