

World and Nation

Major banks lower lending rate to 7.5 percent, lowest in 9 years

NEW YORK (AP) — Major banks Tuesday lowered their prime lending rate from 8 percent to 7.5 percent, the lowest in nearly nine years for the key interest rate.

Among those cutting their prime rate today were New York's Citicorp, the nation's largest; No. 3 Chase Manhattan Bank, New York; No. 5 Morgan Guaranty Trust Co., New York; No. 7 Security Pacific National Bank, Los Angeles; and No. 9 First National Bank, Chicago.

San Francisco-based Wells Fargo Bank, the nation's 10th largest, initiated the rate-cutting among major banks with its reduction late Monday. The lowered rates, a response to last week's reduction in the discount rate, were effective Tuesday.

But some analysts question how much the economy will respond to further declines in short-term interest rates, and note that an improved balance of trade remains the key to any economic upturn.

James Annable, chief economist for First National Bank in Chicago, said, "We have had rather substantial growth in consumer spending in the economy."

"So what's got to happen if this monetary policy is going to work is we've got to stop draining the coming impetus from this increased spending on imports."

The Federal Reserve Board on Aug. 20 cut the discount rate, the interest it charges on loans to financial institutions, to 5.5 percent from 6 percent.

It was the fourth time this year the Fed reduced the key lending rate, which the central bank uses to help signal its intentions for a broad spectrum of credit costs.

Already this year, interest rates on mortgages and many other types of credit have fallen to their lowest levels in nine years.

But aside from the booming housing sector, the economy has remained in the doldrums.

The nation's gross national prod-

uct grew a slight 0.6 percent from April through June, largely because of the effects of the burgeoning foreign trade deficit and weak oil prices on the nation's manufacturing sector.

Many economists believe the Fed's latest rate cut, which was followed by the banks, was aimed at sparking the domestic economy by further depressing the foreign exchange value

of the dollar to increase overseas demand for U.S. products.

A weaker dollar makes U.S. products relatively cheaper overseas while making foreign goods more expensive in this country. The dollar has fallen sharply against the currencies of major U.S. trading partners in the past year, but its effect on the trade deficit was not expected to materialize until later this year.

The White House and the Fed

have been pressuring Japan and West Germany to match the latest discount rate cut to stimulate their own economies, while keeping the dollar from going into an inflationary tailspin against their currencies.

So far, however, those two countries have resisted such a move, even though further declines in the dollar would act against their domestic manufacturers.

Zulu chief claims civil war has erupted in South Africa

JOHANNESBURG, South Africa (AP) — Mangosuthu Buthelezi, the moderate Zulu chief, said Tuesday the brutality of those who killed a supporter's wife shows that civil war has begun among South African blacks.

In Cape Town, a regional council voted to integrate the last whites-only public beaches on the Cape Peninsula. Council member Neil Ross said: "God's own beaches should be for God's own people."

The government said it will end on Wednesday the special inspections of cargo being transported from Zimbabwe and Zambia, which have caused long delays. It said the 3-week-long "statistical survey" had served its purpose.

Buthelezi, chief minister of the KwaZulu tribal homeland and one of the country's most powerful black moderates, issued a statement expressing shock at "the cold-blooded murder" of Evelyn Sabelo, wife of KwaZulu legislator Winington Sabelo.

She was killed and her three children were seriously wounded in an attack on their home Friday night by assailants using a hand grenade and automatic rifle.

"This indicates the lengths to which those who wish to make this country ungovernable wish to go in brutality and hideousness," Buthelezi said. "It is un-African for women and children to be targets in a war and I am concerned about the extent to which this kind of crime will brutalize those who are at the receiving end."

"The black civil war I warned about has now materialized."

Buthelezi's opposition to political violence and economic sanctions has antagonized supporters of the African National Congress guerrilla movement and other militant opponents of South Africa's white government.

Cape Divisional Council members voted 11-3 to open all beaches under its jurisdiction to all races.

It oversees 20 beaches stretching along 70 miles of coastline,

mostly in rural areas away from cities and towns.

The city of Cape Town integrated its beaches last year. Action by the divisional council means all public beaches on the peninsula now are open.

The government's Bureau for Information released more details Tuesday about a confrontation Monday between police and a crowd of about 500 blacks at a high school in Soweto, Johannesburg's huge black township.

It said a 22-year-old black man was killed and eight blacks were wounded when four plainclothes detectives fired birdshot to disperse youths throwing stones at their car. The bureau said five wounded blacks, ranging in age from 14 to 25, were hospitalized in fair condition.

Bureau spokesmen reported one other death from unrest, a black man found burned to death Monday in the Zwide township outside Port Elizabeth.

Some travelers left holding the ticket

WASHINGTON (AP) — While airline failures can leave thousands of travelers stranded and others holding worthless tickets on future flights, neither the government nor industry is showing much interest in offering help.

The shutdown of Frontier Airlines, which last weekend left an estimated 17,000 travelers with tickets but no airline to fly, is the third time since deregulation that a major U.S. carrier has suddenly closed down. Scores of smaller airlines also have failed.

Yet travelers who book on an airline that is in economic trouble are largely gambling, consumer advocates and travel industry sources said Tuesday. No airline is required to honor a failed air carrier's ticket and eventual refunds are of little conso-

lation because a ticket holder is far down the list of creditors in a bankruptcy proceeding.

"When a company files bankruptcy, travelers are pretty much left to their own devices," said Hoyte Decker, chief of the Transportation Department's consumer office. "It's going to depend almost entirely on what other carriers are willing to do on a voluntary basis."

Last week, the American Society of Travel Agents called on Congress to create a \$100 million revolving fund to be used to pay back travelers caught in an airline bankruptcy. The fund would be financed through a 25-cent surcharge on each ticket until the \$100 million figure is reached and be administered by the government.

But the agents and consumer ad-

vocates acknowledged that past efforts to establish such a fund failed and there seems to be little government or airline interest for the new proposal. The agents have yet to find a congressman to sponsor it and the Reagan administration has greeted it coolly.

"If this plan isn't implemented, there will be no plan at all," said Chris Witkowski, executive director of the Aviation Consumer Action Project, an advocacy group founded by Ralph Nader.

In the often cutthroat competition among airlines a carrier bankruptcy "can hit anyone at any time" with travelers having no protection unless they buy a costly special insurance policy, he said.

Negotiations were still under way

Tuesday to revive Frontier, a People Express subsidiary, but the airline said there would be no choice but to declare bankruptcy if a solution wasn't found soon.

Travel agents and airline industry officials said it could have been worse for Frontier ticket holders. Because of strong competition through Denver, United, Continental and Western airlines all accepted Frontier tickets on standby basis in hopes of gaining good will.

American Airlines, which does not have as large a stake in the Denver market, has refused to accept Frontier tickets, saying the troubled airline already owes it money. And other carriers may become less accommodating as days pass.

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