World and Nation

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

IEW YORK (AP) — Major banks sday lowered their prime lendrate from 8 percent to 7.5 perthe lowest in nearly nine years the key interest rate.

Among those cutting their prime today were New York's Citithe nation's largest; No. se Manhattan Bank, New York; 5 Morgan Guaranty Trust Co., w York; No. 7 Security Pacific tional Bank, Los Angeles; and 9 First National Bank, Chicago. San Francisco-based Wells Fargo nk, the nation's 10th largest, inied the rate-cutting among major

The lowered rates, a response last week's reduction in the disant rate, were effective Tuesday. But some analysts question how ich the economy will respond to ther declines in short-term interrates, and note that an improved ance of trade remains the key to

aks with its reduction late Mon-

yeconomic upturn. James Annable, chief economist First National Bank in Chicago, "We have had rather substangrowth in consumer spending in

So what's got to happen if this onetary policy is going to work is eve got to stop draining the comimpetus from this increased ding on imports.

The Federal Reserve Board on g. 20 cut the discount rate, the inrest it charges on loans to financial stitutions, to 5.5 percent from 6

It was the fourth time this year the d reduced the key lending rate, ich the central bank uses to help gnal its intentions for a broad spec um of credit costs.

Already this year, interest rates on ortgages and many other types of edit have fallen to their lowest levin nine years.

But aside from the booming housg sector, the economy has reined in the doldrums.

The nation's gross national prod-

April through June, largely because of the effects of the burgeoning foreign trade deficit and weak oil prices of the dollar to increase overseas demand for U.S. products.

A weaker dollar makes U.S. products relatively cheaper overseas on the nation's manufacturing sec-

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

ucts relatively cheaper overseas while making foreign goods more expensive in this country. The dollar has fallen sharply against the cur-rencies of major U.S. trading part-ners 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 curren-

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

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

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 Winnington 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

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, Johannes-burg'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.

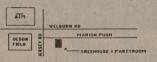
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Some travelers left holding the ticket

WASHINGTON (AP) — While line failures can leave thousands travelers stranded and others lding worthless tickets on future ghts, neither the government nor dustry is showing much interest in

ffering help.

The shutdown of Frontier Aires, which last weekend left an estiated 17,000 travelers with tickets ut no airline to fly, is the third time nce deregulation that a major U.S. rrier has suddenly closed down. ores of smaller airlines also have

Yet travelers who book on an airne that is in economic trouble are argely gambling, consumer advo-cates and travel industry sources said uesday. No airline is required to onor a failed air carrier's ticket and ventual 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 govern-

But the agents and consumer ad-

vocates acknowledged that past efforts to establish such a fund failed and there seems to be little govern-ment 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

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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