

MEET Pete

The Herald News Box



New Federal Discount Rate Goes Into Effect Today

WASHINGTON (AP) — A new discount rate goes into effect today. Financial circles doubt it will have any major impact on other interest charges.

The Federal Reserve Board announced late Thursday that the discount rate would be increased to 2 1/2 per cent in 5 of the 12 reserve districts — Philadelphia, Minneapolis, Richmond, St. Louis, and Dallas. Other districts will maintain the old 2 per cent rate for a time but are expected to adopt the increase later.

A hike in the discount, or interest charged when member banks borrow money from the reserve system, usually is intended to tighten credit and fight inflation. A board spokesman indicated

this latest increase—the second in about two months—was based on another consideration: a desire by the board to bring the rate closer into line with other short-term interest charges.

The spokesman noted that the gap between the 2 per cent discount rate and the current 2.8 per cent yield on 91 day Treasury bills was unusual. The board normally keeps the discount rate higher than the bill rate to discourage banks from borrowing to buy bills.

Wall Street said the increase had been expected and that market prices had adjusted to it in advance. One bond expert said the increase might give an upward jolt to short-term rates. However, he said this would not affect intermediate and long-term bond issues. New York markets were closed when the announcement came.

On the Pacific Coast Exchange, still open then, stocks dipped slightly.

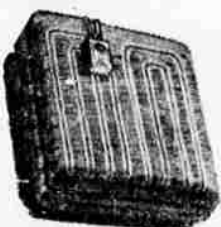
The discount rate has been changed five times this year. The first three moves, during the recession, were downward. On Aug. 15 the rate was increased to 2 per cent from its recession low of 1 1/2 per cent. The rate hit a "tight money" peak of 3 1/2 per cent last fall.

Court Records

KLAMATH FALLS MUNICIPAL COURT
Duanne Lucano, drunk, \$25 or 12 1/2 days.
Julia Daniels, disorderly conduct, \$100 or 30 days suspended, six months probation.
Harvey Hardman, drunk, \$25 forfeit.
Clarence Carr, drunk, \$25 or 12 1/2 days.
Jimmy Bradshaw, drunk, \$25 or 12 1/2 days.
Ray Townsend, drunk, \$25 or 12 1/2 days.
Patricia Martinez, drunk, pending.
JUVENILES
Two arrested as runaways, later charged with car theft.
One cited for traffic violation.

KLAMATH COUNTY DISTRICT COURT
Ronald Paul Steiner, violation basic rule, \$15 forfeit.
John McNeil, no operator's license, \$5.
Forrest Allan Johnson, axle overload, \$100.
Michael Bud Wholes, axle overload, \$50 forfeit.
Donald Eugene Hughes, no operator's license, \$7.50.
Peter Alan Olson, violation basic rule, \$12.50 forfeit.
Henry Williams, fail yield right of way, \$7.50.
Jack Carlton Hardin, improper mud, \$7.50.
Phil Davis Schneider, no license plates, dismissed.
Charles Floyd DeLap Jr., inadequate hand brake, \$5.
Nevin Robert Haudenschild Jr., violation basic rule, \$7.50.
Glen E. Berry, larceny by embezzlement, dismissed upon motion of district attorney.
Nemad B. Brader, combination overload, \$27 forfeit.
Charles Manuel Smith, overweight, \$10.
Albert Andrews, fail provide dog license, dismissed upon motion of district attorney.
Earl Walter Peterson, driving during suspended period, found guilty by jury, sentence September 24, at 10 a.m., released on \$200 bond.
William Sherman Smallwood, truck speeding, \$7.50 forfeit.
Claude Moore, no operator's license, dismissed upon motion of district attorney.
Wayne Edward Blaul, fail stop at stop sign, \$5 forfeit.
Vincent William Black, fail drive with axle, dismissed.
Robert Lee Peterson, sell larceny, 60 days county jail, dismissed.
Edward Edward Baker, hunting game birds from automobile, \$50.

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Soviet Union Has Agreed To Loan UAR Aid For Dam

CAIRO (AP) — The Soviet Union has agreed to lend the United Arab Republic 400 million rubles worth of materials and equipment to start Gamal Abdel Nasser's dream dam at Aswan on the Nile.

The credit amounting to 100 million dollars by Soviet reckoning, was seen by some diplomats here today as the clincher in Moscow's economic penetration of the Middle East. It may mean Nasser has finally turned his back on the West, giving up any idea of serious economic cooperation or reconciliation with Western powers.

The United States, Britain and the World Bank three years ago had offered to lend Egypt 270 million dollars for the \$1,300,000,000 dam in southern Egypt. Secretary of State Dulles abruptly withdrew the offer a year later after Egypt started buying arms from the Soviet bloc. Nasser in retaliation nationalized the Suez Canal.

The Soviet credit, announced by Premier Khrushchev in Moscow Thursday night, does not mean that the last hurdle to the starting of work on the vast project has been cleared.

The proposed dam 600 miles south of Cairo would flood miles of territory across the border in Sudan and would displace at least 50,000 Sudanese. The Sudan government, through whose territory the Nile flows before it reaches Egypt, has not agreed to this new use of the waters, and Sudan has a plan of its own for a system of dams farther south to develop thousands of acres of cotton land.

If Egypt goes ahead with the Aswan project without Sudan's consent, a new international crisis could be touched off.

The Soviet credit marks a turn in policy by both Nasser and Khrushchev. Before the Western powers canceled their offer of financing the Soviet Union was reported to have offered to help build the dam. Later the Russians announced they were not interested, preferring to help with projects which would show more immediate results.

When he nationalized the Suez Canal, Nasser declared Egypt would build the dam from her own resources and would use the rev-

enue from the canal for the necessary foreign exchange.

Nasser's revolutionaries who overthrew King Farouk dusted off old plans for the dam and pushed them forward as a bright new dream for Egypt's future as soon as they came to power six years ago. According to these plans:

The dam would be 300 feet high, three miles long and would create the world's largest man-made lake. It would irrigate 1,400,000 parched acres, increasing Egypt's cultivated area by 16 per cent, and would produce 10 billion kilowatts of electricity annually to pump water, light homes and turn factory wheels. It would take about 13 years to complete.

To Nasser it was the principal hope of raising miserable living standards of Egypt's rapidly multiplying 23 million peasants, 90 per cent of whom live in the crowded Nile valley.

He already has swung Egypt's trade pattern sharply to the Communist bloc as a result of his 1955 arms deal, in which he bartered Nile cotton for the arms the West wouldn't sell him.

A year ago he accepted a 178-million-dollar credit from the Soviet Union to help Egypt industrialize.

Despite these deals, however,

Nasser has insisted the U.A.R. was following a policy of neutrality in international politics.

He sent Marshal Abdel Hakim Amer, vice president and defense minister who negotiated Soviet economic aid last year, to Moscow last week to request the loan. He previously had appointed Amer head of a committee to supervise the Aswan project.

Khrushchev's announcement of

the credit was made at a Kremlin reception for Amer. He said it would be used by the U.A.R. to buy Soviet machinery and materials for the dam and for Soviet engineers and technicians.

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