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## The SFA Business Review Vol. 3 No. 2

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# THE SFA BUSINESS REVIEW

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## CONTENTS

	Page
The Economic Review and Outlook . . . . .	2
Six Economic Forecasts for the United States Economy: 1978 . . . . .	5
Job Redesign—Cure for Absenteeism and Turnover . . . . .	6
Assessing the Feasibility of Making a Foreign Investment. . . . .	10
Producing Interesting Business Correspondence . . . . .	14
Begin 1977 Tax Planning Now . . . . .	19
Small Business Institute Up-Date. . . . .	23
Economic and Financial Statistical Appendix . . . . .	25
I. Deep East Texas. . . . .	26
II. Texas. . . . .	34
III . The United States . . . . .	37
A. Domestic. . . . .	38
B. International . . . . .	43

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## THE ECONOMIC REVIEW AND OUTLOOK

M. Dudley Stewart, Jr., Ph. D.

Director  
and  
Associate Professor of Economics and Finance

### The Global Economy

An uneasiness continues to prevail over both slack and inflation in the economies of many nations and the protectionist feelings that are beginning to emerge.

Real economic growth rates still have not recovered enough from the recession of 1974-75 that was caused by the crude oil-price quadrupling during 1973-74. And, they appear to be easing.

Inflation is continuing at unacceptably high rates and may well accelerate as national governments apply policies designed to increase economic growth.

There is considerable impatience among the citizens of various nations. They want stable price levels and increased output and employment, even if protectionist measures must be implemented—measures that would be most detrimental to all concerned.

Although the situation has not reached crisis proportions, it does bear close watching. The governments of the nations concerned should be very careful not to over-expand the growth rates of their money supplies and apply protectionist policies in seeking to increase economic growth and reduce unemployment. To do otherwise would be to set the stage for another worldwide recession within possibly a year or two.

### The United States Economy

Our SWAG forecast for the United States economy in 1978 is less optimistic than most.

Real gross national product will grow at a lower average annual rate—approximately



four percent. We do not at this time, however, foresee another recession, unless some severe exogeneous shock to the economy occurs.

Inflation, as measured by the consumer price index, will accelerate and average seven percent for the year.

The unemployment rate will continue to hover around the seven percent level. Thus, no improvement is foreseen.

Short-term interest rates in general will probably increase by an average of 50 basis points.

### The Texas Economy

The economy of Texas has continued to perform excellently. Personal income during the period, July, 1976 to July, 1977, increased by almost 12 percent. The industrial production index rose slightly more than six percent, and the index of urban building permits issued climbed a whopping 24 percent.

As of August, the unemployment rate for Texas was 5.1 percent, down from 5.4 percent a year ago. The August rates for the United States were 7.1 and 7.9 percent respectively.

We believe that the growth of the Texas economy will continue to outpace that of the nation.

### The Deep East Texas Economy

Our 16-county Deep East Texas Economy continued to flourish during the 12-month period ending in August, according to the limited data we have.

The unemployment rate in August for Deep East Texas was 5.1 percent, for Texas, an identical 5.1 percent, and for the United States, 7.1 percent. The numbers for August, 1976, were, respectively, 5.1, 5.4, and 7.9 percent. Identical lows of 3.1 percent were recorded for Nacogdoches and Trinity Counties, while a high of 7.4 percent was reported in Sabine County.



The retail food price indexes for Houston that we use as proxies for the cost of food in Deep East Texas all recorded increases from August, 1976 to August, 1977. The food at home index increased 6.1 percent and that for food away from home increased 8.3 percent. The cost of food in all categories rose 6.6 percent.

We see no reason to believe that the Deep East Texas will not continue to thrive.

\* \* \* \* \*

Some Maxims Followed by M. Lamar Muse

Editor's Note: M. Lamar Muse is the hard-fighting, free-wheeling entrepreneur who established and runs Southwest Airlines based in Dallas, Texas.

1. "If you think you're beaten, you are."
2. "If you think you dare not, you don't."
3. "If you'd like to win but think you can't, it's almost a cinch you won't."
4. "Life's battles don't always go to the stronger or faster man."
5. "But soon or late the man who wins is the one who thinks he can."

Tom Dotson, "And in this Corner, Lamar Muse," Texas Business, July, 1976, pp. 19-21 and 63-64.

\* \* \* \* \*

Murphy's Law

"If anything can go wrong, it will."



TABLE USEF-1

## SIX ECONOMIC FORECASTS FOR THE UNITED STATES ECONOMY: 1978

(In billions of dollars, except as noted)

Forecasting Unit	Month Forecast Made	Nominal GNP <sup>a</sup>	Real GNP <sup>b</sup>	Price Level Increase <sup>c</sup>	Real Growth Rate	Unemployment Rate <sup>d</sup>
CONCENSUS <sup>d</sup>	—	2,089.2	1,390.0	6.2%	4.1%	6.7%
Chase Econometric Associates, Inc.	Aug. 1977	2,019.8	1,354.9	5.5%	1.6%	8.0%
The Conference Board	do	2,086.8	1,392.5	6.1%	4.2%	6.6%
Data Resources, Inc.	do	2,099.8	1,401.0	6.0%	4.9%	6.4%
Kent Econometric Institute	do	2,118.2	1,410.1	6.2%	5.3%	6.3%
MAPCAST (General Electric Co.)	do	2,110.9	1,393.3	6.9%	4.4%	6.6%
Merrill Lynch Economics, Inc.	do	2,099.4	1,394.1	6.4%	4.3%	6.3%

Source: The Conference Board, The Conference Board Statistical Bulletin, September, 1977, pp. 10-11.

<sup>a</sup>In current dollars.

<sup>b</sup>In constant (1972) dollars.

<sup>c</sup>The forecasted change in the GNP Implicit Price Deflator (1972 = 100).

<sup>d</sup>Calculated by the SFA BBER.



## JOB REDESIGN—CURE FOR ABSENTEEISM AND TURNOVER?

Janelle C. Ashley, Ph. D.

Professor and Acting Head of Department of Management and Marketing

Plagued by high rates of absenteeism and turnover? Many "experts" are advocating two types of job redesign as possibilities for improving the job satisfaction of employees—shorter workweeks and flexible working hours.

### Research Results

Though research evidence does not show a consistent correlation between job satisfaction and productivity, there is a surprisingly high positive correlation between job satisfaction and absenteeism and turnover, i.e., the higher the job satisfaction, the lower the absenteeism and turnover rates. Though there is no expense item on the income statement labeled "turnover" or "absenteeism," every business manager is well aware of the soaring actual cost of these phenomena to the organization. With the cost of fringe benefit programs, for example, rapidly approaching an average of 33% of the total pay package—a cost which does not decrease when the employee is absent—it would certainly behoove any astute businessperson to look to all possible means for increasing worker satisfaction. It is prudent from an economic standpoint, not to mention the human value of such pursuits.

The first question which arises is, "Do workers actually gain job satisfaction from these two types of job redesign?" Though the principal impetus for shifting to the four-day workweek has come from management, employees often prefer it. Managers seek to reduce cost through higher productivity by reducing start-up and shut-down activities. Employees prefer the more usable leisure with three-day weekends. They also view fewer total commuting hours and less time fighting traffic congestion as advantages.

Employees working under flexitime provisions find it more convenient to schedule their personal activities and thus use less sick leave. Working mothers gain more alternatives for childcare arrangements.



### The Four-Day Workweek

Labor leaders have fought for years to obtain an eight-hour day. Now many companies are moving backwards in the eyes of big labor as they institute ten-hour days without overtime. The workweek, however, consists of only four days—or 40 hours.

The principal impetus for shifting to the four-day workweek, as noted above, has come from management; but employees often prefer the modification because of the three-day weekends. The extra day enables workers to take care of personal matters, engage in more leisure activities, make fewer weekly trips to and from work, and spend less time fighting traffic congestion.

A general overriding goal of management has been to improve profits and productivity. This they hope to accomplish through reducing the percentage of total working time devoted to start-up and shut-down activities. In the case of certain retail and service establishments, ten-hour workdays fit well the pattern of workload demand. Of course, the objective of reducing absenteeism and turnover fits well the profit objectives.

As of 1970, about 36 companies in the United States had instituted a 4-day, 40-hour workweek. Riva Poor's 1970 publication of the book 4 Days, 40 Hours, however, brought about a surge of interest in the matter; and by 1972, 1,000 organizations had adopted the four-day workweek.

Employer reactions to this workweek modification have been mixed. As might be expected, some firms moved too quickly to the new pattern without careful planning of work schedules to synchronize with the business needs. Many of these have either changed back to the traditional schedule or consider the retention of the four-day week to be a mixed blessing. Some firms reported improvements in productivity along with reductions in absenteeism as results of their early experiences with the change. In some instances these gains were reported lost after the novelty of the new system had worn off. Fatigue is cited by employees as the principal disadvantage of compressing the schedule into four days. Despite these unsatisfactory experiences, the fact that many organizations are still quite satisfied with the four-day workweek would indicate that it can offer advantages when it is geared to the unique needs of the organization.

### Flexible Working Hours

Whereas the four-day week has been primarily an American innovation, flexible working hours or "Flexitime" grew from an effort in Munich, Germany in 1968 to end



traffic congestion when shifts changed at an aircraft plant. This approach more than the four-day workweek permits adaptation to individual differences.

Within limits, flexitime allows employees to work the hours they find most convenient. Though individual companies vary in their specific procedures, a general pattern is somewhat like this. Employees must complete a required number of hours during a given period, usually a month. But within a prescribed period of time in both the morning and the afternoon, workers can begin and end work at their own discretion as long as they complete their required hours. There is generally a "core" period of time during midday when all workers must be present. Not only can the workday vary from day to day in its length, therefore, but also the time at which it begins and ends can vary. Between 7 and 10 a.m. are the normal starting hours. Usual ending hours are between 2 and 6 p.m. Some may, for example, choose to work from 10 a.m. to 6 p.m. while others arrive at 7 a.m. in order to leave at 3 p.m.

Paul Dickson reports in his book, The Future of the Workplace, that nearly 2,000 West German firms switched to flexitime after newspapers reported that it not only speeded the traffic flow but saved the aircraft company \$40,000 a month. As of 1972, 30 percent of the labor force in Switzerland were on flexible hours while five percent of the German workforce was setting its own hours. The concept has now spread to corporations in Britain, France, the Netherlands, the Scandinavian countries and Japan. In one West German firm, flexitime encompasses twenty-four hours per day, as all employees are given keys to the plant.

Hewlett-Packard was one of the first U.S. firms to move to floating work hours. By 1973, it had 15,000 employees in the program. In October of 1976 the United States Geological Survey instituted flexitime as a permanent feature for some 10,000 employees at its headquarters in Reston, Virginia as well as 400 field offices throughout the nation. A Geological Survey spokesman reported the trial period with employees setting their own hours resulted in less overtime meaning considerable savings in the agency's budget.

Another notable U.S. experience with the innovative concept began in 1974 when the Social Security Administration pioneered the plan with 350 clerks in Baltimore. Among these clerks were many working mothers who often arrived late to work or missed completely due to childcare problems and bus schedules. The additional latitude in work hours allowed the employees to overcome their difficulties. Today, as a result, more than 4,500 Social Security employees are on flexitime. The procedure is such that employees can occasionally work extra hours to gain a four-day workweek.

Executives at Social Security were concerned with extra cost due to buildings remaining open longer hours. Those at locations where the plan has been tested, however, report benefits outweigh the cost. Since buildings were usually lighted and heated or cooled longer than regular working hours to accommodate cleaning crews, the costs were viewed as only minor.



The West German airline, Lufthansa, has now taken the idea even further. Many employees are given 10 percent leeway in hours they work per month. Hours less than standard in the month can be made up in later months, while excess hours per month can be banked as credit for the following month.

Though all jobs do not lend themselves to a flexitime arrangement, many can be adapted to fit the procedure. Foundry crews, for example, must work together. It would not be feasible for workers to arrive at different times. One foundry, however, had modified the flexitime approach by letting teams of employees decide among themselves at the end of each shift when they want to begin the next day's work. Productivity is enhanced as individuals can arrange to work during their peak activity periods.

Potential and actual problems with the use of flexitime lie in the areas of recording time, legislation governing overtime hours, supervision, and contacts with outsiders who are not accustomed to the flexible-hours approach.

Flexitime and shorter workweeks evidence revolutionary changes in managerial attitudes. With advocates pointing to reduced absenteeism and tardiness, boosts in morale and output plus easing traffic congestion, the U.S. economy is likely to see more of these workday innovations. Of course, like other popular innovations, they must fit the needs and operating problems of a particular organization. Support has come from President Carter in the form of proposed legislation. He advocates extending flexitime to more organizations and amending overtime rules so employees could choose to work more than eight hours a day to accomplish 40 hours in four days. If such legislation becomes a reality, the projection of more workweek modification would gain additional credibility.

\* \* \* \* \*

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## ASSESSING THE FEASIBILITY OF MAKING A FOREIGN INVESTMENT

John D. Whitt, Ph. D., C.P.A.

Professor of Accounting and Acting Head of Department

The internationalization of business and the emergence of the multinational company have been major trends in recent years. We read and hear much about the awesome size and strength of several large firms with holdings throughout the world for conducting manufacturing and sales activities. In addition, there are thousands of small and moderate size United States firms with modest manufacturing and sales investment in one or more foreign countries. It has been shown that relatively small investments have proven to be manageable and profitable. In developing countries, business firms are generally smaller than the same types of firms in the United States, and one can choose an industry in which competition is not keen as that generally experienced in the United States.

What is the reason that firms, large and small, carry out these business activities? To obtain new markets. It is just that simple.

Since the beginning of this nation, its businessmen have sought foreign markets for their products. The trade pattern characterized international business until about 1950, when an historic shift of major proportions occurred. International production by United States firms then began to assume substantial dimensions. Today, the output associated with U.S. production abroad is five times the dollar amount of U.S. exports. Several factors have caused this shift of emphasis in manner of marketing of U.S. products, some of the principal ones being (1) foreign governmental restrictions on imports, (2) foreign markets preferring products manufactured within their national boundaries, and (3) lower transportation and production costs for producing in the country where the goods are marketed.

### Scope

This study will focus on foreign investment decisions made by small to medium size United States firms. Some larger firms follow the same general practices. Below are presented some of the vital strategies which are generally considered by a firm in making a foreign investment decision. They are not necessarily followed in the order given



since they are all interdependent. Yet, it would seem to be wise to study the market potential rather thoroughly before proceeding to any great length to the other strategies.

### Marketing Strategy

The marketing strategy involves identification of the company's market opportunities in a particular country; the allocation of its marketing resources and expertise; and determination of its programs to achieve its sales, market penetration, and profitability goals. Identification of market opportunities, or potential, while being all important, can prove to be a most elusive task. This involves an analysis of future demand by country or region, by major products. The marketing research can be undertaken by utilizing secondary sources, such as statistics published by agencies of the U.S. government and the foreign government, the United Nations, and the U.S. Embassy and the American Chamber of Commerce in the foreign country. It can also involve various types of surveys and field studies. The investing firm can often obtain research performed by a local research agency at a cost lower than that which it would incur using its own research forces.

Market Entry. Usually a company enters a new market through exports. A firm can minimize risk by limiting the expenditures on research, engaging in test marketing in one or two areas, and using independent distributors. It should pay attention to feedback or reaction to the first sales of its products, and should be prepared to establish its own sales office at the opportune time.

### Production Strategy

After developing its marketing strategy, the investing firm has to plan the most efficient means of supplying the market, giving consideration to production and transportation costs, economies of scale, costs of entry into the foreign country, and other factors. It has to determine where it should establish plants and how it can achieve rational production and supply system to foster growth of sales and profitability, deal with competition, and operate in a changing environment.

Then there is the all important decision of whether to acquire an established business or to build a new one. Acquisition carries with it the advantage of an established market and a labor force intact. Among the potential disadvantages are (1) the acquiring of an obsolete plant, and (2) the acquiring of an inefficient management group. Many



acquisitions are obtained under the condition that the acquirer will accept the management group of the acquired business.

Production planners should consider capital-intensive versus labor-intensive processes, especially in developing countries that have a relatively abundant supply of lowly paid workers and where cost of machinery is extremely high.

Many firms have made their trial entry into a foreign country through practices which permit postponement of the decision to invest in plant and equipment. We are acquainted with several small, moderate size, and large firms which have made entry following some or all of the following steps.

Licensing. A firm with a good patent, trademark, and/or process may find a foreign manufacturing and sales firm which will pay a royalty for permission to produce the product or products. Mennen products, French's mustard, Lifesavers, and many patent medicines obtained entry in this manner. Usually, the licensor (1) provides technical advisory service on an on-going basis, and (2) some exports of raw materials or semiprocessed goods to the licensee.

Jobbing. In this manner, the U.S. firm contracts a foreign firm to manufacture and/or sell its products. The U.S. firm may provide some of the machinery, which can be exported to many countries, particularly the developing ones, at little or no import duty charge. Developing countries favor the importation of industrial machinery.

Full Operations. While functioning under the above two situations, the U.S. firm usually has only a minimum of personnel located in the foreign country to handle its financial affairs and a law firm to handle import permits and legal matters. We know of one liquid detergent firm which operated without any of its own personnel in the foreign country.

When a U.S. firm feels confident of its prospects for success in a foreign country, it may establish a plant, yet some firms prefer to set up and operate a sales organization for a time before investing in a manufacturing plant. Prior to establishing the manufacturing operation, the products would be imported or be produced by a jobber.

### Financial Strategy

Capital sources. Private sources of financing in emerging nations are limited and costly, because the banking system and capital markets are less developed. International organizations, especially the International Bank for Reconstruction and Development (the World Bank), the International Finance Corporation, the International Development Association, and the Inter-American Development Bank are major sources of development financing.



Financial Planning and Control (Budgeting). While an effective financial planning and control process is important in domestic operations, it is an absolute necessity for a foreign operation of a U.S. firm. Problems of coordination and communication are magnified by distance, national boundaries, and language. Management of a U.S. firm with foreign operations is often frustrated with uncertainty as to what is happening in the foreign affiliate. One of the best means for dispelling the uncertainty is the financial planning and control system. The foreign subsidiary can prepare periodic and project plans of activities and then submit periodic performance reports of actual results. Then, in the headquarters office, comparisons are made between planned and actual results to determine where, and in what manner, corrective action should be taken.

#### Conclusion

We often hear the remark that there is no longer the opportunity in this country for a small businessman to achieve success such as was possible a generation or so ago, because of the large amount of capital required to establish most types of businesses. However, in many developing countries, business is still in the pioneering stage. Small size business operations are workable and profitable, including the manufacture of new products. Many countries provide tax and other incentives to encourage entry into certain types of industry and commerce.

#### Footnotes

<sup>1</sup>The Multinational Corporation. U.S. Department of Commerce Studies in U.S. Foreign Investment, March, 1972.



## PRODUCING INTERESTING BUSINESS CORRESPONDENCE

Marlin C. Young, Ed.D.

Associate Professor of Administrative Services

Business and industry are deeply involved in the art of communicating facts and ideas. There is no reason why their facts and ideas found in business correspondence should read like a school essay in which the student writes down a topic and then grasps to find something to develop it. It is imperative to write business correspondence which interests readers, captures their attention, wins their approval, and gets desired action.

The intellectual task for the correspondent does not need depth of learning, but the ability to correlate and co-ordinate facts and present them in attractive form. In other words, choose the significant, the interesting, the appealing, and thus give the reader an intelligible representative of your discussed topic.

Not every business topic will lend itself to have attractive qualities. However, a skillful writer will find much joy in taking a dull topic and giving it lively interest for the pleasure of the curious reader.

### Guidelines

To succeed in accomplishing the previously discussed task, it is necessary to answer these questions: What kind of person am I writing to? What is my attitude toward that person? What does that person want to know? What kind of firm do I wish mine to appear? What response do I wish this reader to make to what I write on this special subject?

In any business correspondence, it is well to remember that you are dealing not only with a situation but with a person. Interpret your correspondence to a reader who views the world not only in terms of facts but of personalities and emotions.

There is no business reason why business correspondence should be depressingly trite or formal. Admittedly, there are limitations of matter, of style and of language, but a writer can be human while being also concise, exact, and clear.

Talent in business writing is a matter of caring: caring about the accuracy of what is written, caring about being of service, caring about the esteem in which our



firm is held, caring about our personal reputation, and caring about the satisfaction in doing a job well.

Business correspondence needs more than a proficient secretary who can repair grammatical errors. Because this secretary cannot supply facts, add color, replace muddled language, or write in language that is more likely to appeal to the interest of the reader.

### Requirement

What is required is the personal interest of the writer in what he is doing.

A writer should read attentively and thoughtfully the incoming correspondence to anticipate what a reader wishes to hear about. From this reading, the writer can consider the things that concern the reader: his level of comprehension, his present understanding of the subject, any prejudices he may have, any blind spots which may make it difficult for him to accept what you wish to say, and the kind of language he will consider appropriate.

Some techniques that may prove helpful in answering annoying correspondence include changing the shape or giving a new twist to the subject matter, or shifting the direction of emphasis; a writer can help lessen the weight of what is said by streamlining it, or splitting it up into easily understood sections, or removing some problems by explaining them more fully; the writer may present his ideas from the reader's viewpoint or blend them with those of the reader so as to give a new arrangement.

A less superior and all-knowing writing style is one way of influencing your reader. Relate the new knowledge to something that is familiar to the reader as to give him a sense of rediscovering something forgotten in his mind. Place him in a position to see what you see and allow him to believe that he chose the seat for himself. This will help make your business correspondence soothing and convincing.

### Facts and Information

Facts and information are necessary to help avoid dullness in correspondence. No one person can write interestingly without first having dug up information. This person cannot hope to be believed in until he has the factual knowledge.

A writer of business correspondence should have numerous contacts with well-informed and personally interested people within the organization as well as outside the organization. These people should be located ahead of time to avoid the rush search when needed.



Writers who have the assurance of conveying an interesting and captivating message are those who have seen and felt considerably more than the average human being. We should constantly be on the alert for information, ideas, incidents, events, and thoughts that occur in our environment that can be stored for use in our writings. Many of these are oftentimes considered by writers to be trivial.

From all indications, those who write must be interested in people and things, curious about happenings, and sensitive to significant events and possibilities.

### Literary Aspects

Literary aspects to the writer means the ability to present a subject as accurately and vividly as possible. Present the most common matters picturesquely by freshness of writing, not by dragging out old well-worn phrases and inserting them wherever possible.

Besides being graceful, the writer's phrase should be suitable to the occasion and purpose. Leave the reader believing that this is just the way he would have said it himself, without reminding him that he did not.

A competent writer can liven up flat correspondence to have a tremendous appeal. Vividness will make the picture clear, activeness will make it lively, and pleasantness will make it easy to look at.

Competence in writing requires skill in adapting an argument to the receptive system of your reader so that he will have maximum help against confusion, and against mistaking what is incidental for what is fundamental, and will easily follow not merely the facts but your estimate of their relative weights.

### Bright, Clear, Simple

A writer will add brightness by selecting his words and phrases to sound like music when that is appropriate. Words are placed so that they are agreeable to the eye and ear; vary the sentences so that light follows heavy; change the tempo occasionally, but be sure not to impair the harmony.

Bear in mind an old formula: be clear on each point before going on to the next. Do not jump around too much. Bind an idea to the one before it and the one that follows. A few suggested signals such as: "In addition," "On the other hand," and "Nevertheless" will show the reader that you are moving on to another lane and they will help achieve cohesion.



To write clearly and simply means to guard against the use of big words. Deliberate use of big words is said to be one technique of social climbers.

But all big words should not be avoided. When we have a choice of expression, the shorter, simpler words usually serves our purpose better. But sometimes the longer, unusual word is essential.

Be brief by eliminating extraneous and superfluous and distracting facts and opinions. Writing should be concise and to the point, using enough words to convey the subject convincingly but not wandering away from the point. Enough words should be used to assure courtesy and to avoid a distracting style, and to omit platitudes and off-the-subject statements.

### Organization

After collecting the facts that are needed, your thoughts must turn to devising the most effective way to communicate them.

All good writing implies selection and organization. You must decide how to relate your message in a realistic and conversational manner to the reader's receiving system.

This is why every writer should have some knowledge of the motivation and probable reactions of people in various circumstances. Some acquaintance with the principles of practical psychology will enable a person to get along better professionally and socially with other people and to be successful in communicating ideas.

Try and interest your reader by employing human interest. Find out your reader's likes and dislikes and respond with the best solution in a lively writing style.

### Qualities

There are three qualities that a business correspondent should cultivate: sincerity, a positive approach, and imaginative treatment of the matter.

If your correspondence is to be effective, people must believe you. You must convince them that you mean what you say and that your efforts to be courteous and friendly are well intended. That is, your correspondence must have the quality of sincerity.

Your correspondence has greater prospects for success if you focus on positive ideas about people—most of them, at any rate—respond more favorably to a positive prospect than to a negative one.



Imagination consists of presenting the common and routine in such a way that it will appear new and interesting.

### Purpose and Result

The power of communicating ideas creatively so as to move people to action, or to add to their happiness is what makes writing business correspondence a happy job. The proficient business correspondent touches life at many points, and to express his thoughts about life and affairs he writes with freshness, originality, and imagination.

Good business correspondence does not require faking of color and interest, but demands that the writer be conscious of the color in life and alive to the need for saying what he has to say in an interesting way.

Oftentimes, interesting business correspondence will result from much revision. A writer should not feel frustrated or defeated because of constant revision for few writers are entirely satisfied with their finished work.

The first writing efforts at achieving clarity, conciseness, persuasiveness, and natural English of a business writer may appear rough, but these initial efforts can be a great improvement over the reliance on old stereotype correspondence. The person who wishes to write well should write often, for it is practice that makes for good performance.

\* \* \* \* \*

### British Prime Minister James Callaghan on Keynesian Economics

"We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you, in all candor, that that option no longer exists, and that insofar as it ever did exist, it only worked by injecting bigger doses of inflation into the economy followed by higher levels of unemployment as the next step. That is the history of the past twenty years."

— Prime Minister James Callaghan of Great Britain and leader of the Labor Party government.



## BEGIN 1977 TAX PLANNING NOW

Ralph White, Ed.D., C.P.A.

Professor and Head of Department of Administrative Services

There have been many changes in tax regulations for 1977 and there are a number of "reforms" for 1978 being considered by the present Congress. Some tax changes taking effect this year present new opportunities for individual tax savings. Some present potential tax problems for the individual taxpayer.

Among the rules enacted in 1976 and 1977 which need to be considered by individuals in 1977 year-end tax planning are:

1. Standard deductions. The standard deduction for taxpayers who do not itemize personal deductions has been significantly increased over the 1976 allowance—new terminology is "zero-bracket amount." For the 1977 tax returns, the "zero-bracket amount" for married couples filing joint returns is \$3,200; for single taxpayers and heads of households, the amount is \$2,200; for married persons filing separately, the amount is \$1,600. For example, a married couple filing a joint return will receive a \$3,200 deduction in lieu of itemizing deductions for medical expenses, taxes, interest, contributions, and other legitimate tax deductions.
2. Alimony. Payments for alimony are deductible from gross income. This deduction is allowed in addition to the above-mentioned "zero-bracket amount" and should be taken whether or not a taxpayer itemizes his deductions.
3. Capital Gains. The holding period to qualify for the "long-term" capital gains, which qualify for favorable tax treatment, is nine months. Assets purchased after March 25, 1977, will not qualify as "long-term" gains on 1977 tax returns. For 1978 this holding period will be twelve months. "Short-term capital gains on items held less than nine months in 1977 and less than twelve months in 1978 are taxed as ordinary income.

"Long-term" capital losses should be used to offset "short-term" capital gains. This technique enables the taxpayer to offset a loss, which is not fully deductible, against a gain that is fully taxable as ordinary income.



Careful records should be kept of capital transactions over the years. A detailed listing of a taxpayer's investment portfolio and other capital assets should be kept up-to-date and periodically reviewed for the gain and/or loss possibilities and potential tax consequences of capital sales.

#### TAX PLANNING CONSIDERATIONS

For all practical purposes there are two major steps a taxpayer can take to alter his federal income tax liability. The first is shifting income—postponing or hastening—between two taxable years. The second is timing deductions which may be itemized between two taxable years.

Shifting income. In certain situations it is possible to delay the collection of income—other than W-2 income. Rents, fees, and commissions, can be postponed by delaying sending bills to clients or customers until after the close of the tax year. Closing of sales on property can be delayed until after January 1 of the next year. Two points to remember when attempting to shift income are:

1. Income is not considered taxable until it has been received by the taxpayer.
2. Income is taxable when available to the taxpayer. Failure to deposit checks in the taxpayer's possession on December 31 does not delay the recording of income until the next year.

Timing deductions. There are some deductions that a taxpayer can manipulate between two consecutive tax years. Included among the deductions which may be itemized that can be crowded into one year or another are:

1. Contributions. A taxpayer can double his contributions, for example, by delaying 1977 contributions until January, 1978, and paying 1978 contributions before December 31, 1978. For the next two years—1979 and 1980—he could delay 1979 contributions until January 1980 and pay 1980 contributions before December 31, 1980. This provides double deductions for contributions every other year.
2. Medical Expenses. While medical expenses cannot be "prepaid" before the expenses have been incurred, certain "timing" practices can be practiced. Medical procedures, such as minor operations, eye examinations, etc., can be scheduled at almost anytime. Payment for medical expenses due late in the year can be delayed until after January 1 of the next year. The three percent of adjusted gross income reduction in deductible medical expenses makes this approach beneficial to the taxpayer with unusual medical expenditures.



3. Real estate taxes. Most real estate taxes are due in October or November each year but can be postponed until early the next year with a very small increase in the tax. To pay real estate taxes for the previous years in January and the current year's taxes before December 31 and to skip the next year tax payment will provide double deductions every other year.
4. Interest. It is no longer possible to prepay interest and claim a deduction for the full amount the year of payment. Deductions for prepaid interest must be spread over the life of the loan. It is possible, however, to delay payments due late in one year next year and effectively increase interest deductions in the year paid.

The increase in the "zero-bracket amount" will make timing deductions an important consideration for taxpayers. For example, a married couple filing jointly could take the \$3,200 deduction one year and by concentrating their deductions which may be itemized the next year, accomplish considerable tax savings over the two-year period.

#### TAX REFORMS BEING CONSIDERED FOR 1978

The chances are good that Congress will enact major "tax reforms" again for 1978. This new tax legislation being considered is not likely to affect 1977 tax returns but some of the items may have considerable influence on 1977 tax planning. Among the items being considered by Congress are:

1. Lowering rates—where possible income should be recorded in 1978 and deductions crowded into 1977 to take advantage of potential lower tax rates in 1978.
2. Removing the state sales tax deduction—If a new car purchase is planned for the near future, it might be advantageous to buy the car in 1977 while the sales tax deduction is still permissible.
3. Making long-term capital losses fully deductible up to \$10,000—only half of net long-term losses is presently deductible. This change could be an important consideration in deciding the date of sale of items incurring a long-term loss.
4. Reducing the tax on the profit derived from the sale of a personal residence—the family planning to sell its home should consider delaying the closing of the sale until 1978.
5. Ending or partially eliminating the double tax on dividend income—this change could play a key role in deciding between the purchase of growth or income producing stocks.



SUMMARY

The points mentioned in this short article only partially cover the changes that have occurred in tax law over the past year. The potential changes mentioned are only a few of the items that Congress is presently considering. There are many angles each taxpayer must consider to reduce his tax liability to a minimum. It is important that tax planning for 1977 tax returns begin now. A delay in good tax planning until the end of the year could seriously limit the options available to a taxpayer.

\* \* \* \* \*

The First Law of Wing Walking: "Never leave hold of what you've got until you've got hold of something else."

One of Adler's Laws: "Insurance policies never cover what happens." Corollary: "Warranties cover things which don't break down."

Adler's Law of Budgeting: "Most budgets run low by 20 percent, except renovation and vacation budgets, which run low by 50 percent."

Issawi's Law on The Path of Progress: "A shortcut is the longest distance between two points."

Fiedler's First Law of Forecasting: "Forecasting is very difficult—especially if it's about the future."

The Point of No Return Law: "The light at the end of the tunnel could turn out to be the headlight of an oncoming train."

\* \* \* \* \*

The Bureau of Business and Economic Research, in seeking to become self-sufficient, is offering on an at fee or contract basis, such services as special executive briefings, research studies, problem solving, and special projects. Do contact the Director if interested.



## SMALL BUSINESS INSTITUTE UP-DATE

Janelle C. Ashley, Ph. D.

Director of the Small Business Institute  
and

Professor and Acting Head, Department of Management and Marketing

As Stephen F. Austin enters its fifth year of participation in the Small Business Institute (SBI) program, student involvement is at an all-time high. Over 600 students have benefited from the opportunity to test their knowledge and their ability to use problem-solving tools in management assistance to the small business community in and around Nacogdoches. Over 200 business clients have benefited from this practical assistance.

The commendable job SFA students are doing in working with small businesses in the area is evidenced by the fact that SFA was responsible for 34.5% of the cases allotted to the Dallas District of the SBA during the school year 1976-77. Thirteen colleges and universities comprise the district including such schools as North Texas State University, Denton; East Texas State University, Commerce; The University of Texas, Arlington; Baylor University, Waco; and The University of Dallas. For school year 1977-78, SFA has a contract for 27.8% of the district allotment despite the fact that new SBI schools have been added to the district. For the past three years, SFA has received contract additions for the summer terms. If this occurs again in the summer of 1978, the percentage would probably again move above the 30 percent mark.

One of the key factors in the success of the SBI program has been the untiring assistance of a member of another of the SBA management assistance programs, B. M. Raborn, a SCORE volunteer. SCORE (Service Corps of Retired Executives), and ACE, its complementary Corps of Active Executives have long been valued and important extensions of the SBA's management assistance programs. In order to further augment the counseling assistance they offer, Raborn is now enlisting additional recruits with the ultimate objective of forming a SCORE chapter in the Nacogdoches/Lufkin area.

All indications continue to point to further expansion of the SBI program at SFA. Many feel the small business community will be particularly fortunate under the present administration in Washington. Both President Carter and the new SBA administrator, A. Vernon Weaver, have had extensive experience in small business and seem to share a sincere sensitivity to its needs. In his initial statement before the Senate Small Business



Committee on March 31, 1977, Weaver declared, "I want SBA to be the champion and the voice of small business, not only in Washington, but throughout the country." He cited as his goal, ". . . to administer an agency that is effective and efficient--an agency that as an advocate aggressively champions the cause of small business with other Federal departments and agencies--an agency that strives to protect the interests of small business in legislation under consideration by committees of the Congress."

One such piece of legislation now under consideration is the bill which would authorize the SBA to make grants to support the development and operation of Small Business Development Centers (SBDC). As described in the Spring, 1977, SFA Business Review, the UBDC (University Business Development Center now termed SBDC) concept is broader in scope than the SBI program. A scope which reaches into all academic disciplines with specific expertise beneficial to small business is envisioned. The SBDC would provide a comprehensive program for the expansion of existing businesses and the establishment of new enterprises.

Senator Gaylord Nelson of Wisconsin was the sponsor of Senate Bill 972 which has now been passed by the Senate. As approved by the committee the bill would authorize \$8 million for fiscal year 1979 and \$15 million for each of fiscal years 1980 through 1982. Also, the bill includes an additional \$5 million for research programs for each of fiscal years 1979 through 1982. The Bill is now in the process of moving through the House of Representatives (Baldus Bill), and its support will depend to a large degree on House members being convinced that university communities can and will develop meaningful programs for the needs of small business.

The SBDC pilot programs now underway at eight universities across the country and scheduled to end in September, 1978, will be thoroughly evaluated. Legislators will scrutinize the accomplishments of the universities in their roles of assisting small businesses and then make the decision as to the possible expansion of the program to other qualified colleges and universities.

Anyone interested in learning more about the SBI program or participating as a SCORE or ACE volunteer should write or call:

Dr. Janelle C. Ashley, Director  
Small Business Institute  
P.O. Box 9070; SFA Station  
Nacogdoches, Texas 75962  
Telephone: 713/569-3102  
713/569-4301



ECONOMIC AND FINANCIAL STATISTICAL APPENDIX

- I. Deep East Texas
- II. Texas
- III. The United States
  - A. Domestic
  - B. International



DEEP EAST TEXAS DATA





TABLE DET-1

## VALUE OF BUILDING PERMITS FOR SIXTEEN COUNTIES IN DEEP EAST TEXAS:

## BY COUNTY SEAT AND LARGEST CITY

(In dollars)

County Seat and Largest City	July 1977	July 1976	1976
Anderson Palestine	374,900	281,250	2,679,991
Angelina Lufkin	1,407,902	906,984	13,250,937
Cherokee Rusk	493,000	nil	867,900
Jacksonville	2,172,935	283,052	2,977,302
Houston Crockett	229,270	50,000	4,368,569
Jasper Jasper	49,000	575,823	na
Nacogdoches Nacogdoches	489,800	687,804	9,904,880
Newton Newton	na	na	na
Panola Carthage	128,000	127,300	1,577,850
Polk Livingston	70,150	16,500	4,575,831

Source: Bureau of Business Research. The University of Texas at Austin, Building Construction in Texas, Various issues.

na-Not available.



TABLE DET-1 (continued)

County Seat and Largest City	July 1977	July 1976	1976
Rusk			
Henderson	777,951	309,193	5,715,541
Sabine			
Hemphill	na	na	na
Pineland	na	na	na
San Augustine			
San Augustine	25,000	nil	100,600
San Jacinto			
Coldspring	na	na	na
Shepherd	na	na	na
Shelby			
Center	nil	80,000	na
Trinity			
Groveton	na	na	na
Trinity	na	na	na
Tyler			
Woodville	na	na	na

See source and footnote at the beginning of the table.



TABLE DET-2

## LABOR FORCE AND EMPLOYMENT ESTIMATES FOR SIXTEEN COUNTIES IN DEEP EAST TEXAS

(In persons)

County	Aug. 1977		Aug. 1976		1976		1975	
	Labor Force	Employment	Labor Force	Employment	Labor Force	Employment	Labor Force	Employment
Anderson	11,100	10,373	11,331	10,623	11,221	10,412	11,038	10,279
Angelina	22,284	21,339	22,423	21,428	22,413	21,320	21,630	20,609
Cherokee	14,070	13,520	13,730	13,122	14,174	13,454	13,557	12,798
Houston	6,824	6,521	6,580	6,369	6,787	6,515	6,394	6,079
Jasper	9,918	9,368	9,858	9,242	10,162	9,509	9,883	9,228
Nacogdoches	15,654	15,079	15,135	14,555	16,052	15,646	15,554	14,851
Newton	3,748	3,495	3,793	3,551	3,771	3,519	3,721	3,435
Panola	6,919	6,578	6,757	6,419	6,996	6,620	6,758	6,426
Polk	5,911	5,596	5,849	5,539	6,041	5,682	5,826	5,517
Rusk	16,123	15,426	16,869	16,132	16,465	15,691	15,946	15,037
Sabine	2,427	2,248	2,435	2,246	2,487	2,261	2,470	2,224
San Augustine	2,597	2,412	2,486	2,318	2,532	2,349	2,528	2,333
San Jacinto	2,328	2,223	2,185	2,081	2,256	2,130	2,189	2,049
Shelby	8,038	7,599	7,542	7,185	8,179	7,733	7,722	7,259
Trinity	2,895	2,789	2,532	2,443	2,837	2,725	2,472	2,371
Tyler	4,927	4,705	4,977	4,742	5,058	4,794	4,794	4,530

Sources: Texas Employment Commission, "Special Monthly Labor Market Information—Annual," n.d., various pages, U.S. Department of Labor, Bureau of Labor Statistics, Region Six, "Historical Report on Labor Force and Employment: Texas," February 17, 1977, n. pp., and Texas Employment Commission, "Labor Force Estimates for Texas Counties", various issues.



TABLE DET-3

## UNEMPLOYMENT ESTIMATES FOR SIXTEEN COUNTIES IN DEEP EAST TEXAS

(In persons, except as noted)

County	Aug. 1977		Aug. 1976		1976		1975	
	Unemploy- ment	Unemploy- ment rate	Unemploy- ment	Unemploy- ment rate	Unemploy- ment	Unemploy- ment rate	Unemploy- ment	Unemploy- ment rate
Anderson	727	6.5	708	6.2	809	7.2	759	6.9
Angelina	945	4.2	995	4.4	1,093	4.9	1,021	4.7
Cherokee	550	3.9	608	4.4	720	5.1	759	5.6
Houston	303	4.4	211	3.2	272	4.0	315	4.9
Jasper	550	5.5	616	6.2	653	6.4	655	6.6
Nacogdoches	575	3.7	580	3.8	501	3.1	703	4.5
Newton	253	6.8	242	6.4	252	6.7	286	7.7
Panola	341	4.9	338	5.0	376	5.4	332	4.9
Polk	315	5.3	310	5.3	359	5.9	309	5.3
Rusk	697	4.3	737	4.4	774	4.7	909	5.7
Sabine	179	7.4	189	7.8	226	9.1	246	10.0
San Augustine	185	7.1	168	6.8	183	7.2	195	7.7
San Jacinto	105	4.5	104	4.8	126	5.6	140	6.4
Shelby	439	5.5	357	4.7	446	5.5	463	6.0
Trinity	106	3.7	89	3.5	112	3.9	101	4.1
Tyler	222	4.5	235	4.7	264	5.2	264	5.5

Sources: Texas Employment Commission, "Special Monthly Labor Market Information—Annual," n.d., various pages, U.S. Department of Labor, Bureau of Labor Statistics, Region Six, "Historical Report on Labor Force and Employment: Texas," February 17, 1977, n. pp., and Texas Employment Commission, "Labor Force Estimates for Texas Counties", various issues.



TABLE DET-4

RETAIL FOOD PRICE INDEX FOR HOUSTON: AUGUST, 1977<sup>a</sup>

(1967 = 100)

Category	Index Aug. 1977	Percent Change to August from:		
		July 1977	May 1977	Aug. 1976
FOOD	202.2	0.6	1.9	6.6
Food at home	195.4	0.7	1.5	6.1
Cereal and bakery products	180.3	-0.8	-0.1	1.7
Meats, poultry, and fish	192.3	0.6	2.5	1.6
Dairy products	183.3	-0.2	0.1	1.4
Fruits and vegetables	199.3	4.6	1.2	10.7
Other food at home	213.9	-0.3	2.1	14.6
Food away from home	225.9	0.1	3.0	8.3

Source: Bureau of Labor Statistics, Region Six, "Consumer Prices: August, 1977", p. 1.

<sup>a</sup>Used as a proxy for the cost of food in Deep East Texas.



TABLE DET-5

BUSINESS LOANS APPROVED UNDER ALL PROGRAMS, EXCEPT DISASTER, BY THE  
U.S. SMALL BUSINESS ADMINISTRATION FOR SIXTEEN COUNTIES IN DEEP  
EAST TEXAS, BY COUNTY SEAT AND LARGEST CITY: FISCAL YEAR 1976

(In thousands of dollars, except as noted)

County Seat and Largest City	Number	Total	Highest	Lowest	Average <sup>a</sup>
TOTAL <sup>b</sup>	70	5,439	375	5	77.7
Anderson Palestine	3	103	65	13	34.3
Angelina Lufkin	24	1,527	350	7	63.6
Cherokee Rusk	1	75	—	—	75.0
Jacksonville	1	76	—	—	76.0
Houston Crockett	7	723	250	13	103.3
Jasper Jasper	6	581	325	18	96.8
Nacogdoches Nacogdoches	8	722	251	13	90.3
Newton Newton	nil	—	—	—	—
Panola Carthage	2	360	310	50	180.0

Source: U.S. Small Business Administration, 1976 Annual Report, Vol. II: (Washington, D. C.: Government Printing Office, 1977), various pages.

<sup>a</sup>Rounded to the nearest \$100. Calculated by the SFA BBER.

<sup>b</sup>Calculated by the SFA BBER.



TABLE DET-5(continued)

County Seat and Largest City	Number	Total	Highest	Lowest	Average <sup>a</sup>
Polk					
Livingston	2	245	175	70	122.5
Rusk					
Henderson	7	480	375	5	68.6
Sabine					
Hemphill	4	290	110	30	72.5
Pineland	1	40	—	—	40.0
San Augustine					
San Augustine	1	30	—	—	30.0
San Jacinto					
Coldspring	nil	—	—	—	—
Shepherd	1	35	—	—	35.0
Shelby					
Center	1	82	—	—	82.0
Trinity					
Groveton	nil	—	—	—	—
Trinity	1	70	—	—	70.0
Tyler					
Woodville	nil	—	—	—	—

See source and footnote at the beginning of the table.



STATE OF TEXAS  
 DEPARTMENT OF COMMERCE  
 TEXAS BANKING INSTITUTE  
 1977

TEXAS DATA

Category	1976	1977	1978	1979	1980	1981
Total	10	250	250	250	250	250
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TEXAS DATA



TABLE T-1

## SELECTED INDICATORS OF TEXAS BUSINESS ACTIVITY

(Seasonally adjusted, 1967 = 100)

Index	July 1977	June 1977	July 1976	Year-to-Date 1977	Average 1976
Industrial					
Production	139.8 <sup>p</sup>	139.4 <sup>p</sup>	131.5 <sup>r</sup>	137.4	131.5
Electric					
Power Use	203.0 <sup>p</sup>	200.3 <sup>p</sup>	182.2 <sup>r</sup>	205.0	183.0
Urban Building					
Permits Issued	295.3 <sup>p</sup>	376.9 <sup>p</sup>	230.6 <sup>r</sup>	293.6	231.5
Commercial Bank					
Loans Outstanding	202.5	206.2	183.9	201.1	184.3
Nonagricultural					
Employment	148.6 <sup>p</sup>	148.6 <sup>p</sup>	144.4 <sup>r</sup>	148.1	143.0
Average Weekly					
Hours - Mfg.	98.3 <sup>p</sup>	98.8 <sup>p</sup>	97.8 <sup>r</sup>	96.5	98.7
Average Weekly					
Earnings - Mfg.	200.6 <sup>p</sup>	200.8 <sup>p</sup>	183.6 <sup>r</sup>	192.3	180.9

Source: Bureau of Business Research, The University of Texas at Austin, Texas Business Review, September, 1977, p. 217.

<sup>p</sup>Preliminary.

<sup>r</sup>Revised.



TABLE T-2

## EMPLOYMENT ESTIMATES FOR TEXAS

(In persons, except as noted)

Item	Aug. 1977	Aug. 1976	1976	1975
Labor Force	5,728,700	5,406,500	5,535,000	5,280,000
Employed	5,438,200	5,114,300	5,217,000	4,986,000
Unemployed	290,500	292,200	318,000	294,000
Unemployment Rate	5.1%	5.4%	5.7%	5.6%

Sources: Texas Employment Commission, "Special Monthly Labor Market Information—Annual," n.d., p. 1, U.S. Department of Labor, Bureau of Labor Statistics, Region Six, "Historical Report on Labor Force and Employment: Texas," February 17, 1977, n. pp., and Texas Employment Commission, "Labor Force Estimates for Texas Counties", various issues.

TABLE T-3

## PERSONAL INCOME IN TEXAS AND THE UNITED STATES: JULY; 1976-77

(In millions of dollars, except as noted)

Entity	July 1977 <sup>P</sup>	July 1976	Percent Change	Year To-Date	Percent Change
Texas	7,249	6,481	11.9	48,525	9.9
The United States	127,868	114,706	11.5	866,425	11.0

Source: Business Week, October 24, 1977, p. 132.

<sup>P</sup>Preliminary.



TABLE 100-1

Domestic and International

1977

Domestic and International

1977 1976 1975 1974 1973

	1977	1976	1975	1974	1973
Domestic	1,200.0	1,150.0	1,100.0	1,050.0	1,000.0
International	100.0	100.0	100.0	100.0	100.0
Total	1,300.0	1,250.0	1,200.0	1,150.0	1,100.0

Calculated by the SFA staff.

UNITED STATES DOMESTIC AND INTERNATIONAL DATA

1977

1976

1975

Domestic and International

	1977	1976	1975	1974	1973
Domestic	1,200.0	1,150.0	1,100.0	1,050.0	1,000.0
International	100.0	100.0	100.0	100.0	100.0
Total	1,300.0	1,250.0	1,200.0	1,150.0	1,100.0

Source: The National Bureau of Economic Research, Federal Reserve Bulletin, December 1977, p. 100.



TABLE USD-1

## AGGREGATE DEMAND AND SUPPLY

(In billions of dollars)

Item	1976	1975	1974
Gross National Product in Current Dollars	1,706.5	1,528.8	1,412.9
Gross National Product in Constant (1972) Dollars	1,274.7	1,202.1	1,274.7

Source: The Federal Reserve Board of Governors, Federal Reserve Bulletin, September, 1977, p. A52.

TABLE USD-2

## INDUSTRIAL PRODUCTION

(Monthly data seasonally adjusted, 1967 = 100)

Item	Aug. 1977	Aug. 1976	1976	1975	1974
Federal Reserve Board Index of Industrial Production	138.2	131.3	129.8	117.8	129.3

Source: The Federal Reserve Board of Governors, Federal Reserve Bulletin, September, 1977, p. A46.

P Preliminary



TABLE USD-3

## MONETARY AGGREGATES

(Seasonally adjusted, in billions of dollars)

Item	July 1977	July 1976	Dec. 1976	Dec. 1975	Dec. 1974
Money Stock ( $M_1$ ) <sup>a</sup>	326.8	305.0	312.4	294.8	283.1
Money Stock ( $M_2$ ) <sup>b</sup>	783.5	705.2	740.3	664.3	612.4
Monetary Base <sup>c,d</sup>	120.5	102.4	115.5	108.5	104.4

Source: The Federal Reserve Board of Governors, Federal Reserve Bulletin, September, 1977, pp. A14 and A15.

<sup>a</sup>Demand deposits, plus currency and coin in circulation.

<sup>b</sup> $M_1$  plus savings and time deposits in commercial banks other than negotiable CDs of \$100,000 and larger.

<sup>c</sup>Total reserves of member banks plus currency and coin in circulation.

<sup>d</sup>Calculated by the SFA BBER.

TABLE USD-4

## STOCK MARKETS

Item	Aug. 1977	Aug. 1976	1976	1975	1974
New York Stock Exchange Index (Dec. 31, 1965 = 50)	53.51	55.06	54.45	45.73	43.84
Average Daily Volume (Thousands of shares)	18,831	15,758	21,189	18,568	13,883
American Stock Exchange Index (Aug. 31, 1973 = 100)	119.33	102.79	101.63	83.15	79.97
Average Daily Volume (Thousands of shares)	2,140	1,605	2,565	2,150	1,908
Standard & Poor's Corp. Composite Index of 500 Stocks (1941-43 = 10)	97.75	103.29	102.01	85.17	82.85

Source: The Federal Reserve Board of Governors, Federal Reserve Bulletin, September, 1977, p. A28.



TABLE USD-5

## EMPLOYMENT

(In thousands of persons, except as noted)

Item	Aug. 1977 <sup>a</sup>	Aug. 1976 <sup>a</sup>	1976	1975	1974
Civilian Labor Force	97,697	95,351	94,773	92,613	91,011
Employed	90,771	87,834	87,485	84,783	85,935
Unemployed	6,926	7,517	7,288	7,830	5,076
Unemployment Rate	7.1%	7.9%	7.7%	8.5%	5.6%

Source: The Federal Reserve Board of Governors, Federal Reserve Bulletin, February, 1977, p. A47.

<sup>a</sup>Seasonally adjusted.



TABLE USD-6

## PRICE INDICATORS

(1967 = 100)

Index	Aug. 1977	Aug. 1976	1976	1975	1974
Consumer Price Index	183.3	171.9	170.5	161.2	147.7
Wholesale Price Index	194.6	183.7	182.9	174.1	160.1

Sources: Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, September, 1977, p. A46.

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TABLE USD-7

## PURCHASING POWER OF THE DOLLAR

(Values rounded to nearest cent)

Index	Aug. 1977	Aug. 1976	1976	1975	1974
Consumer Price Index (1967 = \$1.00)	\$0.55	\$0.58	\$0.59	\$0.62	\$0.68

Calculated by the SFA BBER from Board of Governors, of the Federal Reserve System, Federal Reserve Bulletin, September, 1977, p. A46.



TABLE USD-8

## INTEREST RATES AND YIELDS

Item	Aug. 1977	Aug. 1976	1976	1975	1974
Federal Funds Rate	5.90	5.29	5.05	5.82	10.51
U.S. Treasury Bills (3-mos.)	5.49	5.14	4.98	5.80	7.84
U.S. Government Bonds (10-yrs.)	7.40	6.79	7.61	7.99	7.56
Corporate Bonds	8.34	8.85	9.01	9.57	9.03
Conventional New Homes Mortgages					
Contract Rate	8.79 <sup>a</sup>	8.79	8.76	8.75	8.71
Fees and Charges	1.31 <sup>a</sup>	1.38	1.44	1.54	1.30

Sources: The Federal Reserve Board of Governors, Federal Reserve Bulletin, September, 1977, pp. A27 and A40.

<sup>a</sup>July, 1977.



TABLE USI-1

## U.S. INTERNATIONAL TRANSACTIONS

(In millions of dollars)

Item	1976	1975	1974
Merchandise Exports	114,700	107,088	98,306
Merchandise Imports	123,917	98,043	103,673
Merchandise Trade Balance	-9,217	9,045	-5,367
U.S. Direct			
Investments Abroad (net)	-4,596	-6,264	-1,368
Foreign Direct Investments in the United States (net)	2,176	1,414	3,695

Source: The Federal Reserve Board of Governors, Federal Reserve Bulletin, September, 1977, p. A54.

TABLE USI-2

## FOREIGN EXCHANGE RATES

(In dollars per unit of foreign exchange rounded to nearest cent or fraction thereof)

Currency Unit	Aug. 1977	Aug. 1976	1976	1975	1974
British Pound	1.74	1.71	1.80	2.22	2.34
Canadian Dollar	0.93	0.99	1.01	0.98	1.02
French Franc	0.20	0.20	0.21	0.23	0.21
German Deutsche Mark	0.43	0.42	0.40	0.41	0.39
Japanese Yen	0.004	0.003	0.003	0.003	0.003
Mexican Peso	0.04	0.05	0.07	0.08	0.08
Swiss Franc	0.42	0.40	0.40	0.39	0.34

Source: The Federal Reserve Board of Governors, Federal Reserve Bulletin, September, 1977, p. A68.



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