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THE ECONOMIC REVIEW AND OUTLOOK

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

Director
and
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The Global Economy

Concern over inflation continues to cast a pall over the outlook for continued economic recovery and growth of the world economy. Since the governments of the industrialized nations find themselves having to carry out inflation abatement policies rather than stimulative ones, the global average economic growth rate may well decrease to approximately four per cent from five this year. The three strongest economies appear to be those of Japan, The United States, and West Germany.

The nations of the southern two-thirds to three-quarters of Africa, rich in natural resources, are, with some exceptions, falling slowly under the influence and domination of the communists. The United States and other interested western industrialized nations appear either unwilling or unable to take a hardline stand against the Russian (and Cuban) threat to their long-run well-being.

The Russians, having already established naval and air facilities in many of the nations and having large numbers of military advisers there, are now seeking to control the southern entrance to the Red Sea.

Speaking of dominoes, in Southeast Asia there were only a few; in Africa, there are many. The question is: "What are we going to do?" Let us hope that we do not stand idly by and watch the nations of Africa change from being our friends and allies to becoming our enemies.

The United States Economy

We continue to stand by our SWAG forecast for the U. S. economy that we made last fall.

Real gross national product will grow at the average annual rate of approximately five per cent. Thus, no downturn is foreseen.

Inflation, as measured by the consumer price index, will continue at or near the unacceptably high level of six per cent.

The unemployment rate will fall slightly below the unacceptably high level of seven per cent.

Interest rates in general will most likely edge upward by one percentage point.

The Texas Economy

The state's economy in 1976 performed quite well.

According to the Federal Reserve Bank of Dallas, preliminary numbers indicate that its industrial production index for Texas rose 4.5 per cent from January, 1976 to January, 1977 but fell slightly in January from its December level.

A major factor contributing to the continued growth of the Texas economy during 1976 was steady recovery in residential construction. Its contract value rose 33 per cent to a record \$3.1 billion after a gain of less than 7 per cent in 1975. Needless to say, future growth of the housing industry will depend primarily on the continued strength of the economy of Texas and on the cost and availability of funds for new mortgages.

The Bureau of Business Research at The University of Texas at Austin reported that although the total number of new plants and expansions in Texas declined by 6 per cent in 1976, it was encouraging in comparison to 1975 when the decline amounted to 23 per cent.

The Federal Reserve Bank of Dallas has noted that a reversal of the downtrend may occur in 1977, as a recent McGraw-Hill survey has determined that the dollar volume of plans for new manufacturing plants in Texas in 1976 was the highest for all states.

The average rate of unemployment in Texas during 1976 was 5.7 per cent, 0.1 of a percentage point higher than that for 1975, and 26 per cent below that for the U. S. economy for the same period.

The continued improvement and growth of the state's economy will depend greatly upon the continued improvement and growth of the U. S. and global economies.

The Deep East Texas Economy

Although our data are quite limited, we believe that our 16-county Deep East Texas economy performed quite well during 1976.

The unemployment rate for the U. S. economy averaged 7.7 per cent, for the Texas economy, 5.7 per cent, and for the Deep East Texas economy, 5.6 per cent. Thus, the rate for Deep East Texas was below both. A low of 3.1 per cent was recorded in Nacogdoches County, while a high of 9.1 per cent occurred in Sabine County.

Using the January retail food price indexes for Houston, published by Region Six of the Bureau of Labor Statistics, as proxies for the cost of food in Deep East Texas, an increase of 1.2 per cent in the food at home category and of 0.3 per cent in the food away from home category were recorded from December, 1976 to January 1977. During the period, January, 1976 to January 1977, the cost of food at home rose 2.3 per cent and 8.0 per cent for that away from home. The largest increase, 8.5 per cent, was in fruits and vegetables, while the largest decrease, -6.7 per cent, was in meats, poultry, and fish.

We believe that the Deep East Texas economy will continue to prosper during the remainder of the year.

* * * * *

The Federal Reserve Board of Governors has published in its January, 1977, issue of the Federal Reserve Bulletin, a revised Regulation B to implement the 1976 amendments to the Equal Credit Opportunity Act. The amendments became effective on March 23, 1977.

A list containing the names and addresses of the Federal agencies responsible for enforcing Regulation B for particular classes of creditors appears in Appendix A.

An article pertaining to the Equal Credit Opportunity Act was also published in the February, 1977 issue of the Federal Reserve Bulletin.

The Federal Reserve Bulletin is available in The Ralph W. Steen Library on the SFASU campus, in many other libraries, and at banks that are members of the Federal Reserve System.

TABLE USEF-1

SIX ECONOMIC FORECASTS FOR THE
UNITED STATES ECONOMY: 1977

(In billions of dollars, except as noted)

Forecasting Unit	Month Forecast Made	Nominal GNP ^a	Real GNP ^b	Price Level Increase ^c	Real Growth Rate	Unemployment Rate ^d
CONSENSUS ^d	—	1,875.1	1,325.5	5.7%	4.8%	7.4%
Chase Econometric Associates, Inc.	Jan. 1977	1,864.7	1,323.6	5.3%	4.6%	7.4%
The Conference Board	do	1,877.0	1,324.2	5.9%	4.7%	7.4%
Data Resources, Inc.	do	1,872.3	1,326.1	5.5%	4.8%	7.4%
Kent Econometric Associates, Inc.	do	1,881.0	1,321.6	6.4%	4.5%	7.6%
MAPCAST (General Electric Co.)	Dec. 1976	1,877.0	1,326.7	5.8%	4.9%	7.4%
Merrill Lynch Economics, Inc.	Jan. 1977	1,878.8	1,330.6	5.5%	5.2%	7.0%

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

^aIn current dollars.

^bIn constant (1972) dollars.

^cThe forecasted change in the GNP Implicit Price Deflator (1972 = 100).

^dCalculated by the SFA BBER.

THE RALPH W. STEEN LIBRARY:

A RESOURCE CENTER FOR THE BUSINESSMEN OF DEEP EAST TEXAS

Mrs. Willie Earl Woods Tindall, M.L.S.

Assistant Social Sciences Librarian

The purpose of the Ralph W. Steen Library is to support the curriculum of Stephen F. Austin State University and to provide for the research of its faculty and graduate students. An annual budget of just over a million dollars assists in fulfilling this objective. While the primary purpose of the library is to support curriculum and research at SFA, it actually provides a gold mine of information for the business and professional community. Unfortunately, businessmen have never really taken advantage of this service. As a state supported institution, the library is open to all. Aside from this fact, Stephen F. Austin State University has traditionally felt an obligation of its community role in East Texas. In other words, we seek to make you welcome!

Since there is no way to inform you in one short article of everything in the library, let us consider a few sources in broad categories to give you an idea of what is available. Laws, statutory and agency rulings, are of primary interest to businessmen. Yet, very few, if any, maintain them in their places of business. There are, of course, two good reasons: cost and the manner in which they are written. A majority of the laws require an attorney's professional ability for interpretation. Nevertheless, there are times when one needs "just to see the law."

The United States Code Annotated includes federal laws enacted by the legislative body of our government. Housed in the Social Sciences Division of the library, the Code is kept up-to-date by an annual subscription. Vernon's Annotated Statutes, often referred to as "the Black Laws" by lawyers, represent the statutory laws of Texas. They, too, are kept up-to-date by an annual subscription.

Business is probably more concerned with agency law since it seems, at least at times, to have a greater impact on our daily lives. Agency laws, in the form of rules and regulations, are available in the Code of Federal Regulations in our Documents Department. The library also receives the Federal Register in which all agency rules and regulations are first reported. Thus, one can locate the latest rulings of any given agency by referring to the Code of Federal Regulations and the Federal Register. Our own great State of Texas, as of this past year, requires that all state agencies must publish any changes in rules and regulations in the Texas Register. It, too, is available in the Ralph W. Steen Library.

The library maintains copies of the standard law dictionaries and other aids for interpretation. Of special interest to you, perhaps, is the six volume set Texas Forms: Legal and Business. This set contains examples and explanations of almost every conceivable form of legal agreement with references to laws covering the agreements.

Taxes, like law, are of interest to all businessmen. This is an area, too, where you really should take advantage of the available sources. The library has Prentice-Hall's complete Tax Library, including the nine volume, loose-leaf service of Federal Taxes, Internal Revenue Code and Regulations, Cumulative Changes in Code and Regulations, American Federal Tax Reports, and the American Federal Tax Reports, 2d Series. The library also has their loose-leaf service of Tax Court and the annual volumes of T. C. Memorandum Decisions. You will also find CCH Federal Tax Reports, Commerce Clearing House's loose-leaf tax service, and the annual volumes of US Tax Cases.

To go with the general tax services, you will find a number of specialized tax tools, such as BNI's service of Pay Planning, Tax Factors in Real Estate Operations, and the Professional Man's Tax Desk Manual. You may also be interested in the Encyclopedia of Tax Forms. This may appear to be unnecessary duplication of sources; but, one must remember, the library must provide for the education of future tax specialists.

Financial information cannot be overlooked in any discussion of sources of information for the business world. The Ralph W. Steen Library subscribes to most Moody services, including Moody's Industrial Manual, Moody's Bank and Finance Manual, Moody's Dividend Record, Moody's Handbook of Common Stock, etc. To go with these, you will find the Value Line Investment Survey, Chartcraft Point and Figure Chart Book, and most of Standard and Poor's publications.

The Ralph W. Steen Library can serve as a resource center for the businessmen of East Texas—whether you need to know the address of an organization, what companies in the U. S. sell corn shellers, what companies make reptile thermometers, how to choose and buy a computer, or just recent trends in personnel management. The library offers telephone reference service (569-4309) as time permits. You're helping to pay the bill—why not take advantage of our service!

* * * * *

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, seminars, research studies, problem solving, and special projects. Do contact the Director if interested.

COMPARATIVE LIVING COSTS IN THE UNITED STATES
AND PERSONAL LOCATIONAL DECISIONMAKING

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

Director
and
Associate Professor of Economics and Finance

The lower, intermediate, and higher hypothetical budgets for an urban family of four have been updated to autumn 1975 from autumn 1974 by the Bureau of Labor Statistics (BLS). The new budgets total, respectively, \$9,588, \$15,318, and \$22,294, and each pertains to a husband who is 38 years of age and employed full-time, his wife who does not work outside of their home, a boy of 13 and a girl of eight.

The budgets are not designed to portray a minimum level of sufficient income, nor do they imply how families do or should spend their money. Rather, they merely represent three relative standards of living.

This brief article will concern itself with the higher budget level and comparative costs of living in the United States, as it is believed that the individual and family budgets of most of the readers of this journal equal or exceed it. The higher budget is set forth in Table 1. As can be seen, the three largest components are: (1) housing at 24.0 per cent, (2) food at 21.6 per cent, and (3) personal income taxes at 18.5 per cent.

A highly condensed version of the BLS's updated autumn, 1975, higher level budget indexes of comparative costs for an urban family of four is presented in Table 2. It contains only three components—total budget, total consumption, and personal income taxes—because of space limitation.

The BLS indexes cover 13 items: (1) total budget, (2) total consumption, (3) food, total, (4) food at home, (5) housing, total, (6) renter, (7) homeowners, (8) transportation, (9) clothing, (10) personal care, (11) medical care, (12) other family consumption, and (13) personal income taxes.

Moreover, the geographical areas of coverage in Table 2 contain only the cities where the cost of living is the highest and lowest, and nonmetropolitan areas as a general category within a particular region in terms of the total budget. The BLS's totals 47.

TABLE 1

HIGHER LEVEL BUDGET FOR AN URBAN FAMILY OF FOUR: AUTUMN, 1975

(In current dollars, except as noted)

Component	Amount	Per Cent of Total Budget ^a
TOTAL BUDGET	\$22,294	100.0
Total family consumption:	16,141	72.4
Food	4,819	21.6
Housing	5,353	24.0
Transportation	1,658	7.4
Clothing	1,613	7.2
Personal care	470	2.1
Medical care	857	3.8
Other family consumption ^b	1,371	6.1
Other items ^c	1,182	5.3
Taxes and deductions	4,971	22.2
Social security and disability	841	3.8
Personal income taxes	4,130	18.5

Source: See reference at end of article.

^aCalculated by the SFA BBER.

^bIncludes average cost for reading, recreation, tobacco products, alcoholic beverages, education, and miscellaneous expenditures.

^cIncludes allowances for gifts and contributions, life insurance, and occupational expenses.

Note: Details may not add to totals because of rounding.

TABLE 2

HIGHER LEVEL BUDGET INDEXES OF COMPARATIVE COSTS
FOR AN URBAN FAMILY OF FOUR: AUTUMN, 1975

(U. S. urban average cost = 100)

Area	Total Budget	Total Consumption	Personal Income Taxes
Urban United States	100	100	100
Metropolitan areas	103	103	105
Nonmetropolitan areas ^a	87	89	77
Northeast			
Boston, Mass. ^b	121	117	143
New York City—Northeastern New Jersey ^b	121	115	154
Pittsburg, Pa.	94	95	88
Nonmetropolitan areas ^a	94	95	88
North Central			
Milwaukee, Wis.	106	100	133
Cincinnati, Ohio—Ky.—Ind.	92	94	81
Nonmetropolitan areas ^a	89	90	81
South			
Washington, D. C.—Md.—Va.	104	101	115
Austin, Tex.	87	92	63
Nonmetropolitan areas ^a	83	86	67
West			
San Francisco—Oakland, Calif.	108	107	112
Bakersfield, Calif.	89	90	77
Nonmetropolitan areas ^a	88	87	85
Anchorage, Alaska	136	131	169
Honolulu, Hawaii	127	119	169

Source: See reference at end of article

^aPlaces with populations of 2,500 to 50,000.

^bTied for highest total budget cost.

Interpreting Index Numbers

An index number represents a percentage comparison from a specified base period or a fixed point of reference. The base or reference point is usually, but not always, set to equal 100.

In this article, the fixed point of reference is the U. S. urban average cost-of-living based on the higher budget for a four-person family in autumn, 1975. It is assigned a value of 100.

In Table 2, the personal income tax index number, for example, for the New York metropolitan area is 154. That means that personal income taxes at all levels of government there is 54 per cent above the U. S. urban average.

For Austin, Texas, the index number is 63. That means that personal income taxes are only 63 per cent of the U. S. urban average. The index number, itself, does not indicate that a major reason for its being so low is that The State of Texas and Austin have no personal income taxes.

Finally, if, by chance, a particular item in a city or area happens to equal 100, that would merely indicate that its personal income taxes were equal to the U. S. urban average.

Interpreting Table 2

While living costs are not necessarily the dominant factor in determining where people live, consulting such tables of cost-of-living indexes is indispensable when one is considering such important decisions as seeking a position elsewhere, accepting a promotion in another area of the country, vacationing far away from home, or in choosing a place to retire.

Let us examine two of these four cases, using hypothetical examples.

Case One: Considering a Career Move to Honolulu from Austin

Assume that you are living in Austin on a budget of \$20,000 a year, plus the usual 35 per cent in fringe benefits. Further assume that you are offered a comparable position in Honolulu allowing a \$25,000 budget. Other things equal, should you make the move?

The answer is a resounding "No!". Why? Although, your budget lies slightly below the higher one, a glance at Table 2 will still give you at least a crude approximation of the economic condition that you would face.

In Austin, the cost-of-living index is 87, while in Honolulu it is 127. Two quick calculations help you to make your decision: (1) Dividing your possible budget increase of \$5,000 by your present one of \$20,000, you determine that by accepting the new position you could spend 25.0 per cent more. (2) Dividing 87 into 40, the difference between the index numbers of 87 and 127, you note that the cost-of-living is 45.9 per cent higher in Honolulu than in Austin.

When comparing the two numbers, you find that what you, at first, originally thought to be an astounding increase in your budget would amount to well below your real standard of living in Austin. You quite correctly note that 25.0 less 45.9 equals a negative 20.9. Thus, if you decide to make the move, you would have to accept a reduction in your living standard of approximately 21 percentage points.

Case Two: Considering a Retirement Move to Austin from Washington, D. C.

Assume that you and your wife have recently retired with a budget from all sources of \$20,000 a year and desire to move from your home in the Washington, D. C. area to one where living costs are lower. Further assume that you both have very carefully investigated several cities that meet your personal specifications and that you have decided to move to Austin. By how much would you be better off economically moving there, other things equal?

The total higher budget index for Washington, D. C. is 104, while that in Austin is 87. Dividing the difference of 17 by 104, you correctly find that your cost of living would decrease by 16.3 per cent, thus, leaving you with a whopping increase of \$3,260 in purchasing power.

It must be cautioned that these numbers are only rough approximations, as the higher level budget is for a family of four whose breadwinner is 38 years of age, the \$20,000 budget is below the hypothetical one by \$2,294, and that the budget proportions for a retired couple would most likely differ significantly therefrom.

Conclusions

The hypothetical budgets and the urban cost-of-living indexes constructed by the BLS provide a large number of individuals, couples, and families with a basis for making more rational economic decisions with respect to undertaking geographical moves and taking vacations.

Although one's budget will rarely equal precisely one of the three hypothetical levels mentioned above, rough approximations can still be calculated of the possible increase or decrease in living standards one could reasonably expect to experience.

Finally, it should be noted that the BLS data will be usually nine to eighteen months out of date, as a result of collection, interpretation, and publication lags. However, the relative cost-of-living comparisons probably would not have changed significantly.

REFERENCE

This article was based, in part, on the following publication: U. S. Department of Labor, Bureau of Labor Statistics, Division of Living Conditions. "Urban Family Budgets Updated to Autumn 1975", by Paula E. Weir. Monthly Labor Review, July, 1976, pp. 40-44.

* * * * *

Since many individuals in the Deep East Texas area are engaged in agricultural construction, forestry, and ranching activities, we wrote the Long Range Prediction group at the National meteorological Center in Camp Springs, Maryland, seeking to obtain six-month weather forecasts with respect to temperatures and precipitation for publication in our semiannual issues of The SFA Business Review.

Alas, their response was that they publish none. However, four times a year they do add a three-month temperature (only) outlook to the last page of the "Average Monthly Weather Outlook" published by the National Weather Service.

For those interested, this publication is for sale by the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402. The annual subscription is \$7.50.

* * * * *

General community profiles on approximately 500 Texas cities are available from the Texas Industrial Commission in Austin at a cost of \$15.00 each plus five per cent sales tax and postage. To purchase one or more, contact:

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INTERNATIONAL MARKETING OPPORTUNITIES FOR SMALL BUSINESS FIRMS

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Introduction

Vast opportunities exist in international markets for many small American business firms. Yet most small firms fail to take advantage of these opportunities. There are some firms that are unaware of foreign marketing opportunities; there are, however, other firms that are aware but tend to overlook them. The reasons for this are many. For example, firms may perceive their small size as a constraint and may believe that they cannot successfully operate or compete abroad against large firms; or, they may feel that they do not have the know-how to do business internationally. Whatever the reasons, small firms do seem to bypass the foreign opportunities that can enable them to increase their sales and profits.

This article briefly examines international marketing opportunities for small U. S. firms and outlines some major limitations and advantages of size in the context of foreign markets.

Foreign Business Outlook

The existence of opportunities in international markets is highlighted in the latest report of the U. S. Department of Commerce.¹ According to the report, the outlook for U. S. business is exceptionally bright in most foreign nations. Table I shows each foreign nation in terms of its outlook for American business, the products or industries with the best opportunities, and major favorable and unfavorable factors that must be carefully considered in exploring such opportunities.

The trends in U. S. exports further suggest a promising outlook for the United States. U. S. merchandise exports, for example, totalled \$107.2 billion in 1975—an increase of \$25.8 billion over 1973; U. S. machinery exports in 1975 were considerably higher than that of West Germany or Japan.² The U. S. share in a large number of countries apparently has increased in recent years, and it is expected to increase more.

TABLE 1

FOREIGN MARKETS OPPORTUNITIES FOR U. S. BUSINESS

COUNTRY	OVERALL OUTLOOK	PRODUCTS/MARKETS** WITH BEST OPPORTUNITY					FACTORS*	
							FAVORABLE	UNFAVORABLE
Algeria	good							
Argentina	poor		b		d	e		1
Australia	good	a	b	c		e	2	
Austria	good		b	c		e	8	
Bahamas	good			c				
Belgium	good					e	4	
Bolivia	good			c	d	e		
Brazil	poor			c	d	e		1
Bulgaria	good		b	c	d	e	2	5
Canada	very good	a	b	c	d	e		
Chile	good						5	
China	poor				d		1	
Colombia	very good		b			e	1	
Costa Rica	good							
Czechoslovakia	good	a		c	d	e		
Denmark	good		b		d	e		
Dominican Republic	very good			c		e		1
Ecuador	good		b			e		
Egypt	very good			c		e		
El Salvador	good						2	
Finland	good		b					5
France	very good	a	b			e		6
Gabon	very good		b	c		e		7
Ger. Dem. Rep.	good			c		e	7	
Germany	very good		b	c		e	4	
Greece	good			c	d	e	8	
Guatemala	good						4	
Haiti	good			c				
Honduras	good						4	
Hong Kong	very good		b	c	d	e	3	
Hungary	good		b	c	d	e		5
India	good		b		d	e		1
Indonesia	very good		b			e		
Iran	very good							
Iraq	good		b	c	d	e		
Israel	very good		b		d	e	4	
Italy	good	a	b			e		1
Ivory Coast	good					e		9, 10
Jamaica	poor							1
Japan	good	a		c	d	e		
Kenya	poor			c	d	e		
Korea	good	a	b	c		e	2	
Kuwait	very good		b			e	8	
Libya	very good		b	c		e		
Malaysia	good					e		
Mexico	very good			c	d	e		2
Morocco	very good					e	2	

TABLE 1 (Cont.)

COUNTRY	OVERALL OUTLOOK	PRODUCTS/MARKETS**					FACTORS*	
		WITH BEST OPPORTUNITY					FAVORABLE	UNFAVORABLE
Netherlands	good	b				e		
Nether. Antilles	good					d e		
New Zealand	good	b	c	d		e		
Nicaragua	good	b	c			e	4	
Nigeria	very good	b		d		e	1	2
Norway	very good	b				e		
Pakistan	poor					e	8	
Panama	very good					e		
Papua New Guines	poor							
Phillipines	poor					d e		
Poland	good							
Portugal	poor	b	c	d		e		6
Romania	good	b	c	d				
Russia	good	b		d				
Saudi Arabia	very good		c			e		
Singapore	very good	b	c			e	7	
South Africa	good	b				e		
Spain	good	a	b	c	d	e		
Sweden	good	a				e		
Sudan	very good			c	d	e		
Switzerland	poor	a						
Taiwan	very good	a	b	c		e	4	
Thailand	good			c			2	
Trinidad	very good			c		e	2	
Tobago	very good			c		e	2	
Tunisia	good				d			
Turkey	good			c	d	e		
United Kingdom	good							
Venezuela	very good					e	1,2,4,5,8	
Yugoslavia	good	b	c			e		
Zaire	poor		c					1.5

** a—Computer related equipment
b—Electrical/electronics.tele-
communication
c—Food Processing & Agricultural
equipments
d—Chemical & Related Products
e—Industrial machines/supplies
consumer goods

*1. Import restrictions/liberalization
2. Investment Climate (Govt. desires/actions)
3. Political climate
4. Economic growth/expansion
5. Bal. of Payments/Trade deficits or surplus
6. Inflation
7. Market size/demand
8. Growing desire for American goods
9. Lack of Independent agents/distributors
10. Language difficulties

NOTE: This table was developed on the basis of the U. S. Department of Commerce report. The Commerce Department report is based on data furnished by U.S. Foreign Service posts and other sources. For detailed discussion, see: "U.S. Export Growth Expected to Quicken: Imports Lead Pace, Commerce America, 1 (Aug. 2, 1976), 4-48.

There are other indications concerning the availability of opportunities. In an interview, Hugh M. Hyde, president of Johnston International Publishing Company of New York, described the Mid East market as the most rapidly growing market in the world; although Hyde considers the construction industry as the best in opportunities, he finds petroleum, military, consumers goods, and industrial equipment markets very promising.³ Trade opportunities with Russia are good.⁴ The European market—particularly the British market—is rapidly growing.⁵

In a recent survey by this author, almost 98 per cent of the firms described profitability and sales opportunities abroad as good, very good, or excellent; almost all considered foreign markets as important to their firms and industries. In another survey by the Conference Board, more than 50 per cent of the business participants expected similar or higher profits on export sales in comparison with these on domestic sales.⁶

Many factors account for this improved situation abroad. Among them include: import liberalization, improving foreign political and investment climate, economic expansion, surpluses in balance of payments of some nations, growing market demand, good reputation of American goods, the 1972 trade agreement with Russia, the availability of petrodollars, and a desire by the less developed nations to become industrialized.

A question may be posed at this point: Do opportunities really exist in foreign markets for small business firms?

"Very much so," said one East Texas area businessman who has been involved in foreign markets over the past 30 years. Another man who has also considerable experience with foreign business stated: "We know lots of small companies that have done very well—automotive parts, business and office equipment, construction equipment, parts manufacturers and others...." The U. S. Small Business Administration (SBA) has recognized the importance of international markets to the small firm; the SBA at present provides assistance to the small businessman through workshops and publications on foreign trade.⁸ The U. S. Commerce Department's Trade Opportunities Program (TOP), which is designed to promote exporting of American products, is open to the small firm for membership; each member firm periodically receives export sales leads based on the investigations of opportunities.

A survey of 68 small to medium sized manufacturing firms by the Conference Board found that most firms were successful in their activities abroad and expected higher future sales and earnings; none expected a serious decline in foreign sales.⁹ One striking example of small business successes is that of Computer Machinery Corporation. As reported by its chief executive officer, Computer Machinery Corporation went international in 1969 with only 75 employees and \$2 million in capital; before the end of 1970, the firm had 475 employees and over \$6 million in invested capital.¹⁰ There are several similar examples of overseas successes of small firms.

The opportunities abroad, thus, are not limited to large firms. They are available to all firms, large and small. The experiences of many small firms suggest that the small firm does not encounter serious problems in foreign markets, and the size need not handicap if the limitations and advantages of being small are clearly understood.

Size Limitations and Advantages

The limitations and advantages of the small size in foreign markets are not significantly different from those in the domestic market.

In the U. S. market, most small firms are limited by capital, manpower, the scale of operations, the size of their markets, narrow product lines, and a customer bias in favor of large firms. Small firms often cannot expand their production and marketing activities because they do not have sufficient capital. It is difficult for the small firm to recruit and retain capable managers, employees, and distributors, as most of them prefer to work for larger firms. Manufacturing and marketing costs of small firms are usually higher because of the size of their operations. A large number of small firms can offer only one or a few product lines and serve a specific market that is likely to be very small. Products of a small firm are not readily accepted by the customer who tends to favor large, well-established firms.

Obviously, such limitations seriously effect the activities of small firms and constantly threaten their survival and growth. However, there are examples of firms that seem to have overcome most of these limitations. Careful planning, based on a good understanding of the market, can alleviate certain limitations.

The small firm also enjoys many advantages over the large one. Because of its size, the small firm is in a position to provide a personal touch, greater flexibility, closer contacts with the customer, specialization of product or market, and tenacity. "Flexibility and tenacity," according to an article in Business Week, "are key ingredients in any small company's success...."¹¹ Most large firms are not interested in a market with limited demand; consequently, many small markets with specific needs create opportunities for the small firm. A small firm can experiment with new products, ideas, policies, or practices without being noticed because of its size. Also, the ability to respond quickly to customer needs puts the small firm in an advantageous position over its large competitors. These advantages work in the United States, and they can work in foreign markets also. One important advantage of being small in foreign markets is that the small firm is not likely to be bothered by foreign governments or labor unions as much as the large multinational firm whose moves are closely watched abroad for social, political, and economic repercussions.¹²

Undoubtedly, the small firm has certain limitations and advantages. Its numerous advantages can be most effectively used to derive benefits from the available foreign opportunities. Its limitations can be turned into strategic advantages with a carefully planned approach; for example, its low break-even point makes it possible for the small firm to operate in a very small foreign market. It is also possible for the small firm to offer unique products and services that appeal to foreign customers more than its American customers.

Conclusion

In short, there are several opportunities in foreign markets for the small American firm. Foreign markets with their vast potential represent an alternative for the small firm in its struggle to survive and grow. And, exporting is perhaps one of the best solutions to the problem of declining domestic market opportunities.

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AN OUTLINE OF TEXAS CONSUMER CREDIT LAW

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Twenty years ago the Texas seller of goods on credit could conduct his business pretty much as he saw fit—the only legal entanglements he had to be concerned with were those contained in the ordinary law of contracts for the sale of goods and of commercial paper.

Today this is no longer true. Today's seller of goods on credit must contend with a formidable array of Federal and State statutes and administrative regulation—most of which have been enacted in the last ten years. The Federal regulatory authority stems from two major statutes—the Consumer Credit Protection Act (CCPA)—15 USC 1601 et seq., and the Federal Trade Commission Improvement Act—15 USC 57.

The CCPA contains the following pieces of legislation:

1. The Federal Truth-in-Lending Act of 1968, regulating advertising of credit terms and disclosure of credit terms to consumers.
2. The Fair Credit Reporting Act of 1970, regulating dissemination of information about consumers by credit bureaus and granters of credit.
3. The Credit Card amendments to the CCPA of 1970, regulating the issuance of credit cards and the liability of card-holders for unauthorized purchases charged to their accounts.
4. The Equal Credit Opportunity Act of 1974, forbidding discrimination in the granting of credit on grounds of sex or marital status.
5. The Fair Credit Billing Act of 1974, setting up a procedure for resolution of disputes between open-end charge account granters and customers; and making it possible for a holder of a 3-party credit card (like Bank Americard or Master Charge) to assert merchandise defenses against the issuer of the card.
6. The Equal Credit Opportunity Act amendments of 1976, forbidding discrimination in the granting of credit on grounds of race, color, religion, age, or receipt of public assistance.

Administrative regulations implementing the CCPA are found in Regulation B of the Federal Reserve Board, concerning equal credit opportunity, and Regulation Z of said Board concerning other aspects of the CCPA. Regulation B is found in Title 12 of the Federal Regulations (CFR), Section 202. Regulation Z is found at 12 CFR 226.226.

The Federal Trade Commission Improvement Act gives the FTC the authority to promulgate substantive trade regulation rules having the force of law. Pursuant to the authority vested in the FTC by this statute, the Commission has promulgated two trade regulation rules of importance. These are:

A rule providing that a consumer who enters into a contract with a door-to-door salesman may rescind the contract by sending proper notice to the salesman's principal within three business days of the signing of the contract. 16 CFR 429.429.

A rule providing that any holder of a consumer credit contract (including a negotiable promissory note signed by a consumer as a part of such a contract) is subject to all claims and defenses which the consumer could assert against the seller of goods or services under the contract. 16 CFR 433.433.

Under the new legislation, there's no doubt that the FTC has the authority to promulgate a complete Federal consumer credit code through these substantive trade regulation rules. The two rules now in effect are only the beginning.

Most of the Texas law in this area is found in the Consumer Credit Code (Texas Civil Statutes Sec. 5069, or RCS 5069). Some is found in the Business and Commerce Code (B&CC).

A detailed description of all of the law in this area would fill a small book. Here, I'm presenting the material in outline form only, covering the law of the consumer transaction from pre-contract advertising to efforts to collect the debt account short of filing suit. Suits and judgments will be covered in a later article. The outline follows.

Advertising of consumer credit

- A. The advertiser of consumer credit must not state:
 1. That a particular credit amount or installment amount can be arranged unless the creditor usually and customarily grants such credit amount or installment amount.
 2. That a specified down-payment is required in connection with a specific extension of credit, unless the creditor usually and customarily arranges downpayments in such amounts. (CCPA (142) 142)
- B. The advertiser of consumer credit must not specifically advertise any one term of his credit plan unless he advertises all relevant terms, thus, all specific

terms must be advertised, or none of them at all. (CCPA 143,144)

- C. Whenever an ad contains a rate of finance charge, it must be stated as an annual rate of finance charge, computed in accordance with Federal Reserve Board regulations. (CCPA 144)
- D. Any ad promoting the extension of consumer credit payable in more than 4 installments when no finance charge is included in the transaction must state, "THE COST OF CREDIT IS INCLUDED IN THE PRICE QUOTED FOR THE GOODS AND SERVICES." (Public Law (PL) 93-495 401)

II. No credit card may be issued except in response to a request or application for one, except renewals or substitutions for already issued and accepted cards. (CCPA 132)

III. The credit application

- A. A creditor may not ask a female credit applicant about:
 - 1. Birth control methods.
 - 2. Child-bearing plans. (12 CFR 202.5 (h))
- B. A creditor may not demand that an applicant disclose alimony, child support, or maintenance income—but the applicant may disclose this if she intends to rely upon it to justify the grant of credit. (12 CFR 202.5 (d))
- C. In Texas and other community property states, it's permissible for a creditor to ask about marital status and the name of the applicant's spouse—but, normally, this is not permissible in non-community-property states. (12 CFR 202.7)

IV. The decision to grant or not grant the credit applied for.

- A. Credit may not be denied upon the forbidden grounds of sex, marital status, race, color, religion, national origin, age, or receipt of public assistance.
- B. The following must not be taken into account in deciding whether or not to grant:
 - 1. Sex, marital status, childbearing plans. (12 CFR 202.5 (e))
 - 2. Whether or not applicant has a telephone listed in his or her name. (12 CFR 202.5 (g))
- C. The following may be taken into account in evaluation:
 - 1. Whether or not applicant's residence has a telephone.
 - 2. Age of applicant.
 - 3. Prospects for continuity of applicant's income. (Usable in alimony and public assistance cases.)

- D. The creditworthiness of the individual applicant must be taken into account-- creditworthiness of a wife must not be judged solely by the creditworthiness of her husband. (12 CFR 202.5 (j))
- V. In case the credit application is denied, the applicant must be notified of the denial within 30 days, providing detailed reasons for the denial. (PL 94-239)
- VI. Factors to be taken into account in drafting the consumer credit contract.
- A. Advisability of having the spouse of the applicant sign the contract.
1. If the married applicant will make payments out of his or her earnings, the payments will be made with community property.
 2. If payments on purchased goods are made with community property, the goods will be community property.
 3. The debt and the property will be considered to be under the control of the contracting party only, unless the property is considered to be a necessity (Food, clothing, or shelter.)
 4. Thus, unless the contract involves a necessity, a husband will not be liable upon his wife's contract, and vice-versa.
 5. In short, unless the contract involves necessities, the signatures of both will be required in order to render both spouses liable upon the contract. (Texas Family Code 5.01, 5.22, 5.61)
- B. Statements of rescission rights are required when:
1. The contract involves the granting by the debtor to the creditor of a second lien upon his residence. (CCPA 125)
 2. The contract is solicited by a door-to-door salesman and is signed somewhere other than at the seller's ordinary place of business. (16 CFR 429)
 3. In both cases, the buyer is given three business days after the signing of the contract to rescind--the contract must contain a conspicuous notification to buyer of that fact.
- C. If the seller desires to have the right to repossess the goods being sold if the buyer becomes delinquent in his payments, the contract must spell this out. There is no right to repossess without a written security agreement. (B&CC 9-203)
- D. Required disclosure of credit terms.
1. Must be made to consumer before he opens an open-end credit plan (revolving charge account, for instance) or before he signs a purchase contract. (CCPA 126, 127)

2. The items to be disclosed are too numerous to mention in detail in this outline. The major such items are the finance charge and the annual rate of finance charge.
3. The finance charge consists of the interest or time-price differential plus service or carrying charge, loan or finder's fee, investigation or credit report fee, and the like.
4. The following sorts of charges must be disclosed, but are not includable in the finance charge: Taxes, record search fees, license fees, and the like.
5. Credit life, accident, or health insurance premiums must be included in the finance charge if the creditor requires that the debtor purchase the insurance.
6. Liability or property damage (such as auto collision) insurance premiums must be included in the finance charge unless the creditor furnishes the debtor a statement in writing disclosing the cost of the insurance if purchases through him and disclosing that debtor has the right to purchase the insurance from any insurer he chooses.
7. The annual percentage rate of finance charge is to be determined in accordance with Federal Reserve Board regulations, either from Federal Reserve Board tables or by the use of arithmetical formulae approved by the Board. (12 CFR 226.5)
8. With respect to closed-end consumer transactions, other required disclosures include the cash price of the goods or services purchased, trade-in allowance if any, amount of down-payment if any, amount to be financed, amount of each scheduled payment, the due date of each payment, the number of payments, and the like.
9. Other required closed-end transaction disclosures include late-payment penalties, the nature of security interests retained by the seller, penalties for pre-payment, and method of computing interest rebates due to pre-payment.
10. The creditor must disclose the following to a debtor upon the opening of an open-end credit account: The conditions under which a finance charge will be imposed, the duration of the interest-free "free ride" period on new purchases, the method of determining the balance upon which a finance charge will be levied, the conditions under which late-payment charges and the like will be imposed, and the minimum periodic payment required, and the annual percentage rate of finance charge.
11. The open-end account creditor must furnish the debtor periodic statements in which the following must be disclosed: Balance in the account at the beginning of the billing cycle, itemized listing of debits to the account (debtor purchases), payments and other credits to the account during the billing cycle, finance charge debited to the account, annual percentage rate of the finance charge, balance upon which finance charge was computed, statement

of how this balance was itself computed, and ending balance in the account.

E. Insurance

1. Creditor may require debtor to purchase credit life, accident, and/or health insurance—but the amount of insurance required may not exceed the amount of the debt owed. Debtor must be given a choice of insurers from which to purchase the insurance, and he must be given the option of assigning insurance policies he already owns to the creditor to give creditor the desired insurance protection. (RCS 5069-3.18, 4.02, 6.04, 7.06)
2. Creditor may require purchase of property-damage and liability insurance where appropriate, but must again give debtor the privilege of choosing his own insurer.

F. Interest rates.

1. The maximum interest chargeable on open-end charge accounts is 1 1/2% per month on the first \$500; 1% per month on any excess. (RCS 5069 Chap. 6)
2. Maximum chargeable on small loans (of \$2500 or less) is 18% on the first \$300 and 8% on all amounts of over \$300. (This being per annum, of course.) (RCS 5069 Chap. 3)
3. Maximum chargeable on closed-end purchases of goods or services is:
 - a. 12% per annum of the first \$5000 of amount financed;
 - b. 10% per annum on the second such \$500;
 - c. 8% per annum on the rest. (RCS 5069 Chap. 6)
4. Maximum chargeable on motor vehicle loans is:
 - a. On new cars—7.5% per annum;
 - b. Used cars 2 years old or less—10% per annum;
 - c. Used cars between 2 and 4 years old—12.5% per annum;
 - d. Used cars over 4 years old 15% per annum, unless amount financed is less than \$300—then 18% per annum. (RCS 5069 Chap. 7)
5. Delinquency charges may not be levied on overdue payments until the payments are at least 9 days in arrears.

- G. It's unlawful for a Texas lender to require as a condition of lending or selling on credit that the debtor execute a wage assignment in his favor. (RCS 5069-3.20, 4.04, 7.06)

H. Since the creditor in a consumer transaction has vastly superior bargaining power over debtors, the creditor must be wary of imposing extremely one-sided bargains upon his customers. Such bargains may be declared unconscionable and unenforceable by the courts. Unconscionable practices have been held to include:

1. Imposing cross-collateral agreements on debtors, under which the creditor demands a security interest in goods already bought and paid for by debtor in order to secure payment of the purchase price of new goods.
2. Charging excessively high prices for goods.
3. Clauses in contracts in which debtor agrees that any litigation over the contract will be brought in a distant and inconvenient locality. (B&CC 2-302)

VII. Legitimacy of granting discounts to those who purchase goods for cash rather than charging them to credit card accounts.

- A. No creditor is obligated to grant cash customers such a discount.
- B. No credit card issuer may by contract forbid a merchant who honors his card to grant such a discount if he desires. (CCPA 167)

VIII. Assignment of consumer contracts, promissory notes, and the like.

- A. Nothing in the law forbids a seller or lender to make such assignments.
- B. The assignee of such an assignment now has only the right to collect from the debtor that the assignor had. In other words, any defense to payment the debtor has which would be good against the assignor is also good against the assignee. In short, there's no longer any advantage in being a holder in due course of consumer negotiable notes and the like. (16 CFR 433)
- C. It should be noted that the holder-in-due-course doctrine still applies in all rigor with respect to consumer checks.

IX. Defenses to liability of credit card holders

- A. For unauthorized use of a card. (CCPA 133)
 1. Maximum liability of card holder in such a case is \$50.
 2. Cardholder may escape liability for this \$50 if he has informed issuer of the loss of, theft of, or whatever of his card before unauthorized changes are made to his account.
 3. Cardholder won't be held liable even in absence of informing cardholder of loss if: (CCPA 170)
 - a. He's never "accepted" (used) the card, or

- b. Issuer hasn't informed holder of the potential \$50 liability, or
- c. Issuer hasn't provided cardholder with self-addressed notification form to use in informing issuer of loss or theft, or
- d. Card has on it no means of identifying the holder, such as a photo, signature, or thumbprint. (CCPA 133)

B. Arising out of a purchase transaction.

1. The credit card holder may use defenses to payment he would have had against a merchant against a credit card issuer if:
 - a. He's made a good-faith effort to settle his dispute with the seller merchant, and
 - b. The merchant seller is a subsidiary of the issuer or a franchisee of the issuer, or
 - c. The disputed transaction involves more than \$50 and the cardholder resides in the same state as the merchant seller, or
 - d. The disputed transaction involves more than \$50, and the cardholder resides within 100 miles of the merchant seller, or
 - e. The issuer included seller's promotional literature in his billing mailings and urged cardholder to buy seller's products with the card. (CCPA 170)
2. Cardholder may refuse to pay only the debit balance outstanding in his account when his dispute first arose with the merchant-seller.
3. A bank credit card issuer may not offset a debtor's debit balance in the credit card account against debtor's credit balance in a checking or savings account in said bank. (CCPA 169)
4. The merchant who honors a third-party credit card should be aware that the card issuer may charge back cash advances made to said merchant by purchase of sales drafts and the like from credit card sales if the issuer can't collect the account from the cardholder—unless some type of issuer negligence caused the difficulty.

- X. Billing cycle requirement—when an open-end credit account provides that the debtor is entitled to a finance-charge free "free ride" if he pays for a purchase within so many days of the end of a billing cycle, the creditor must mail his bills at least 14 days before the "free ride" deadline. NOTE that provision of a "free ride" is not required. (CCPA 163)

XI. Billing error procedure in open-end credit account billing disputes.

A. Disclosures of consumer rights required.

1. Each billing statement must contain an address to which debtor is directed to send billing inquiries.
2. At least once every 6 months, creditor must send his customers a statement of their rights under the Fair Credit Billing Act. (CCPA 127, 12 CFR 226.7 (a) (9))

B. A "billing error" is defined as:

1. An extension of credit not made to the complaining debtor, or
2. An incorrect statement of the amount of credit granted, or
3. Credit extensions for which customer requests documentation or verification, or
4. Credit extensions for undelivered or unaccepted goods or services, or
5. An incorrect recording of a debit or credit to the customer's account, or
6. Clerical or computational errors on the bill. (CCPA 161)
7. NOTE that a dispute between a merchant seller and a debtor about the quality of goods or services is NOT considered to be a billing error.

C. Debtor must inform the creditor of the alleged error. This must be in writing, received by the creditor, contain debtor's name and account number, describe the alleged error, and explain why debtor believes that the error exists. (CCPA 161)

D. The statement of error may be written on creditor's billing stub, UNLESS creditor has informed its customers that billing stubs may not be used for this purpose.

E. Within 30 days of receipt of such notice of error, creditor must either acknowledge receipt of the notice (in which case creditor then has two billing cycles more to decide what to do about it) or inform debtor as to its action on the notice.

F. Until the creditor has taken definitive action upon the notice, it may not:

1. Report debtor's account to any credit bureau or the like as delinquent, or
2. Take any steps to compel debtor to pay the disputed amount, or
3. Deny debtor the further use of the account—unless the disputed amount plus the undisputed balance equal or exceed the debtor's debt limit for the account.

G. Creditor's definitive response to the inquiry may take one of two forms:

1. "You're right!"—creditor acknowledges error and makes necessary corrections—if correction isn't the same as that asked for by debtor, creditor must explain and document the discrepancy.
2. "You're wrong!"—creditor denies debtor's claim. In such case, creditor must document its decision that the debtor is wrong.

H. Debtor doesn't, of course, have to accept the "You're wrong" response and pay up. If debtor still insists creditor was wrong, creditor may not report the disputed amount as delinquent to a credit bureau without also telling the bureau about the dispute. However, creditor can compel, or try to compel, debtor to pay up.

XII. Collection of delinquent accounts.

A. Repossession of merchandise.

1. REMEMBER that this can not be done unless debtor has signed a written security agreement authorizing the use of the repossession remedy.
2. "Self-help" repossession—that is, repossession by the creditor or his agents, is possible only when this can be done without breaching the peace—breaking into a building or the like. (B&CC 9-503)
3. When self-help repossession without breach of the peace is impossible (because the item to be repossessed is a TV set inside debtor's residence, and debtor refuses to surrender possession of it, for instance), the only way to repossess is to obtain a writ of sequestration from a court of proper jurisdiction. No Texas court may issue writs of sequestration before debtor is given the opportunity to ask for a hearing to contest the legitimacy of the repossession.
4. If the repossessed goods are 60% or more paid for, creditor must sell the goods in a commercially reasonable manner at either a private or public sale and credit the proceeds of the sale to:
 - a. Expenses of repossession and resale
 - b. The balance owed on the repossessed item by debtor.
 - c. The debtor—that is, if the proceeds of the sale exceed the expenses of repossession and resale plus the balance owed by debtor on the goods, the surplus must be refunded to debtor. (B&CC 9-504, 505)
5. If the goods are less than 60% paid for, creditor has an additional option—he may keep the goods and call debtor's account even. (B&CC 9-505 (2))

6. Debtor must be informed of creditor's intentions with respect to disposal, including the time and place of any public sale. (B&CC 9-504)
7. Debtor may redeem his goods any time before sale by paying the balance due on the goods plus expenses of repossession.
8. If proceeds of the sale don't pay off the debtor's account, debtor is still liable to creditor for the deficiency. (B&CC 9-504)

B. Collection methods short of suit

1. It's unlawful to attempt to force debtor to pay up by threats or coercion, EXCEPT that it's legitimate to threaten to sue, or to have debtor arrested if he's committed a criminal offense in connection with incurring the debt, or to repossess merchandise if debtor has signed a proper security agreement. Of course, threats of violence, unfounded threats of criminal prosecution, threats of defamation of character, and the like are unlawful. (RCS 5069-11.02)
2. Harrassment and abuse of the debtor in the collection effort is unlawful, such as use of obscene language, making repeated telephone calls, and the like. (RCS 5069-11.03)
3. Use of unfair and unconscionable collection methods is unlawful, such as extorting charges not spelled out and authorized in the original contract between debtor and creditor. (RCS 5069-11.04)
4. Use of fraudulent, deceptive, or misleading representations in debt collection efforts is unlawful, such as representations that the debt collector is affiliated with a government, or use of documents which purport to be court documents, or representing that the collector is an attorney when he really is not, or the like. (RCS 5069-11.05)
5. It's unlawful for the collector to represent himself to be a credit bureau when he really is not. (RCS 5069-11.06)

SMALL BUSINESS INSTITUTE UP-DATE

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and
Professor of Management

"The study completed for me by the students in the Small Business Institute (SBI) program would have cost me hundreds of dollars if I had had it done by professionals. As it was, they did a first-rate job and it cost me only my time." Comments like these from satisfied SBI clients point to the continuing successful partnership between S.F.A.S.U. and the Small Business Administration in the innovative Small Business Institute endeavor. SFA students have worked with 172 clients since entering the program in 1973.

The SBI program is a cooperative venture between the Small Business Administration (SBA) and selected schools of business throughout the U.S. It was initiated during the Fall, 1972, and has achieved excellent results during its brief history. The SBI approach relies upon students of schools of business to furnish management assistance to the small business community. At SFASU, senior and graduate students, working under the guidance of a qualified school of business faculty member, act as consultants for selected small business clients. Both SBA loan holders and non-loan holders are eligible for participation. Students who participate in the SBI program earn some type of academic credit for the time spent counseling the business.

The majority of the SBI clients served by SFASU students are within a 30-mile radius of Nacogdoches. Student counselors travel frequently to Lufkin, San Augustine, Center, Alto, and Huntington. A new, most interesting, and slightly more distant assignment came during the Spring semester when one team worked with a marina operator on Sam Rayburn Reservoir.

Though the majority of businesses served by the SBI program are of the retail variety, student teams have worked with several wholesale operations and manufacturing firms. Representative of the types of businesses served are auto parts, grocery, furniture, sporting goods, hardware, lumber and flower shops. Also tire/service stations, air conditioning sales and service, office machine sales and service, radio and electronics, auto dealerships, machine shop, plus shoes and clothing outlets. Students have also worked with a municipal hospital, an export business, and several different franchise operations.

The types of problems encountered by SBI teams continue to vary as much as the variety of clients served. Record keeping and accounting problems still occupy the top

slot with marketing-related projects following in frequency. Student teams have set up complete accounting systems, devised credit procedures complete with collection letters, and implemented systems for aging accounts receivable. They have conducted feasibility and market research studies, designed advertising campaigns, and set up inventory control systems. The comprehensive management audit format has proved to be quite beneficial for those businesses which desired SBI consultation but had no specific area in mind for analysis.

SFASU received notice just recently that its submission has won the Dallas District award for the Most Outstanding SBI Case of the Year Award. The case will now move to competition at the regional level. After winning both District and Regional awards in 1975, the SFA entry was cited at the National level as one of the nineteen outstanding cases in the nation.

All indications point to a continued expansion of the SBI program at SFA. And an added possibility would be the designation of SFASU as a University Business Development Center. The UBDC concept, now in the pilot project stage at eight Universities across the nation, has been described as a partnership for growth between the academic, governmental, and business communities. The scope is broader than that of the SBI program. Envisioned is a scope which reaches into all academic disciplines with specific expertise beneficial to small business, such as engineering, law journalism and communication, education, the sciences, and even medicine. In other words, the UBDC would provide a comprehensive program for the expansion of existing businesses and the establishment of new enterprises. The SBI program would continue to function as it does now, but students would also be encouraged to conduct feasibility studies, product evaluation and development, and plans for business development. Designation of SFASU as a UBDC would mean access to cooperative programs now funded in part by other governmental or private agencies.

Anyone interested in learning more about the SBI program 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

* * * * *

JOHN STUART MILL ON THE GENERAL PRINCIPLES TAXATION [OF INCOME]

"I am as desirous as any one, that means should be taken to diminish...inequalities but not so as to relieve the prodigal at the expense of the prudent. To tax the larger incomes at a higher percentage than the smaller, is...to impose a penalty on people for having worked harder...than [others] ."

Source: John Stuart Mill, Principles of Political Economy, rev. ed., vol. II, New York: The Colonial Press, 1899, pp. 312-13.

* * * * *

Alfred Marshall on Value and Utility

"...the price which a person pays for a thing can never exceed, and seldom comes up to that which he would be willing to pay rather than go without it: so that the satisfaction which he gets from its purchase generally exceeds that which he gives up in paying away its price; and he thus derives from the purchase a surplus of satisfaction. The excess of the price which he would be willing to pay rather than go without the thing, over that which he actually does pay, is the economic measure of this surplus satisfaction. It may be called consumer's surplus."

Alfred Marshall, Principles of Economics, 8th ed., 1920 (New York: The Macmillan Company, 1948), p. 124.

* * * * *

Keynesian economic policies, when implemented by naive politicians in a democratic society create excessive government spending, budget deficits, and inflation.

This, in turn, over time, leads to below normal economic growth and a call for even more government spending, larger budget deficits, and the implementation of economic planning and controls, and a concomitant loss of economic and political freedom.

A vicious circle if there ever was one.

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 URBAN BUILDING PERMITS FOR SIXTEEN COUNTIES IN DEEP EAST TEXAS:

BY COUNTY SEAT AND LARGEST CITY

(In dollars, except as noted)

County Seat and Largest City	Dec. 1976	Per Cent Change From	
		Nov. 1976	Dec. 1975
Anderson Palestine	313,200	60	324
Angelina Lufkin	481,035	-82	-20
Sherokee Rusk	nil	na	na
Jacksonville	24,500	-89	-73
Houston Crockett	95,500	na	na
Jasper Jasper	19,215	-26	na
Nacogdoches Nacogdoches	498,050	- 3	24
Newton Newton	na	na	na
Panola Carthage	103,000	145	-31
Polk Livingston	41,870	na	na

Source: Bureau of Business Research, The University of Texas at Austin, Building Construction in Texas, February, 1977, pp. 10-21, and Texas Business Review, February, 1977, pp. 40-47.

na Not available.

TABLE DET-1 (continued)

County Seat and Largest City	Dec. 1976	Per Cent Change From	
		Nov. 1976	Dec. 1975
Rusk			
Henderson	1,001,150	20	249
Sabine			
Hemphill	na	na	na
Pineland	na	na	na
San Augustine			
San Augustine	100,600	na	na
San Jacinto			
Coldspring	na	na	na
Shepherd	na	na	na
Shelby			
Center	115,000	na	na
Trinity			
Groveton	na	na	na
Trinity	26,880	na	na
Tyler			
Woodville	na	na	na

See source and footnotes at the beginning of the table.

TABLE DET-2

BANK DEBITS FOR SIXTEEN COUNTIES IN DEEP EAST TEXAS:

BY COUNTY SEAT AND LARGEST CITY

(In thousands of dollars, except as noted)

County Seat and Largest City	Dec. 1976	Percent of Change From	
		Nov. 1976	Dec. 1975
Anderson Palestine	51,137	16	27
Angelina Lufkin	na	na	na
Cherokee Rusk	na	na	na
Jacksonville	45,851	**	15
Houston Crockett	na	na	na
Jasper Jasper	32,434	-6	-2
Nacogdoches Nacogdoches	na	na	na
Newton Newton	na	na	na
Panola Carthage	9,642	3	9
Polk Livingston	na	na	na

Source: Bureau of Business Research, The University of Texas at Austin, Texas Business Review, February, 1977, pp. 40-47.

naNot Available.

**Absolute change is less than one-half of one per cent.

TABLE DET-2 (continued)

County Seat and Largest City	Dec. 1976	Per Cent Change From	
		Nov. 1976	Dec. 1975
Rusk Henderson	74,238	18	29
Sabine Hemphill	na	na	na
Pineland	na	na	na
San Augustine San Augustine	na	na	na
San Jacinto Coldspring	na	na	na
Shepherd	na	na	na
Shelby Center	na	na	na
Trinity Groveton	na	na	na
Trinity	na	na	na
Tyler Woodville	na	na	na

See source and footnotes at the beginning of the table.

TABLE DET-3

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

(In persons)

County	Dec. 1976		Dec. 1975		1976		1975	
	Labor Force	Employment	Labor Force	Employment	Labor Force	Employment	Labor Force	Employment
Anderson	11,033	10,256	10,868	10,113	11,221	10,412	11,038	10,279
Angelina	22,306	21,274	21,591	20,662	22,413	21,320	21,630	20,609
Cherokee	14,101	13,438	14,063	13,276	14,174	13,454	13,557	12,798
Houston	6,891	6,620	6,419	6,117	6,787	6,515	6,394	6,079
Jasper	10,197	9,458	9,899	9,335	10,162	9,509	9,883	9,228
Nacogdoches	16,057	15,646	15,803	15,284	16,052	15,646	15,554	14,851
Newton	3,726	3,502	3,694	3,447	3,771	3,519	3,721	3,435
Panola	7,045	6,640	6,808	6,424	6,996	6,620	6,758	6,426
Polk	6,002	5,661	5,803	5,462	6,041	5,682	5,826	5,517
Rusk	16,425	15,645	16,209	15,327	16,465	15,691	15,946	15,037
Sabine	2,425	2,217	2,466	2,187	2,487	2,261	2,470	2,224
San Augustine	2,581	2,366	2,509	2,321	2,532	2,349	2,528	2,333
San Jacinto	2,217	2,089	2,126	1,989	2,256	2,130	2,189	2,049
Shelby	8,042	7,610	7,811	7,330	8,179	7,733	7,722	7,259
Trinity	2,813	2,713	2,719	2,619	2,837	2,725	2,472	2,371
Tyler	4,999	4,700	4,734	4,500	5,058	4,794	4,794	4,530

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

^aNew benchmark year: 1976; data not comparable to those in reports previously published.

TABLE DET-4

UNEMPLOYMENT ESTIMATES FOR SIXTEEN COUNTIES IN DEEP EAST TEXAS^a

(In persons, except as noted)

County	Dec. 1976		Dec. 1975		1976		1975	
	Unemploy- ment	Unemploy- ment Rate	Unemploy- ment	Unemploy- ment Rate	Unemploy- ment	Unemploy- ment Rate	Unemploy- ment	Unemploy- ment Rate
Anderson	777	7.0	755	6.9	809	7.2	759	6.9
Angelina	1,032	4.6	929	4.3	1,093	4.9	1,021	4.7
Cherokee	663	4.7	787	5.6	720	5.1	759	5.6
Houston	271	3.9	302	4.7	272	4.0	315	4.9
Jasper	739	7.2	564	5.7	653	6.4	655	6.6
Nacogdoches	411	2.6	519	3.3	501	3.1	703	4.5
Newton	224	6.0	247	6.7	252	6.7	286	7.7
Panola	405	5.7	384	5.6	376	5.4	332	4.9
Polk	341	5.7	341	5.9	359	5.9	309	5.3
Rusk	780	4.7	882	5.4	774	4.7	909	5.7
Sabine	208	8.6	279	11.3	226	9.1	246	10.0
San Augustine	215	8.3	118	7.5	183	7.2	195	7.7
San Jacinto	128	5.8	137	6.4	126	5.6	140	6.4
Shelby	432	5.4	481	6.2	446	5.5	463	6.0
Trinity	100	3.6	100	3.7	112	3.9	101	4.1
Tyler	299	5.0	234	4.9	264	5.2	264	5.5

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

^aNew benchmark year: 1976, data not comparable to those in reports previously published.

TABLE DET-5

RETAIL FOOD PRICE INDEX FOR HOUSTON: JANUARY, 1977^a

(1967 = 100)

Category	Index Jan. 1977	Percent Change to January from:		
		Dec. 1976	Oct. 1976	Jan. 1976
ALL ITEMS	183.6	—	0.9	6.6
FOOD	190.7	1.2	0.4	2.3
Food at home	184.8	1.5	0.2	0.6
Cereal and bakery products	177.1	0.9	1.4	-3.3
Meats, poultry, and fish	179.2	1.4	-3.1	-6.7
Dairy products	181.7	-0.2	-1.8	1.6
Fruits and vegetables	189.4	2.8	1.9	8.5
Other food at home	196.1	2.1	4.0	7.8
Food away from home	211.5	0.3	1.2	8.0

Source: Bureau of Labor Statistic, Region Six, "Consumer Prices: January, 1977", February 18, 1977, p.3.

^aUsed as a proxy for the cost of food in Deep East Texas.

TABLE DET-6

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 1975

(In thousands of dollars, except as noted)

County Seat and Largest City	Number	Total	Highest	Lowest	Average ^a
TOTAL ^b	57	4,836	407	5	84.8
Anderson Palestine	nil	—	—	—	—
Angelina Lufkin	19	1,404	315	5	73.9
Cherokee Rusk	nil	—	—	—	—
Jacksonville	8	1,106	400	8	138.3
Houston Crockett	2	165	100	65	82.5
Jasper Jasper	2	90	60	30	45.0
Nacogdoches Nacogdoches	5	761	350	30	152.2
Newton Newton	nil	—	—	—	—
Panola Carthage	1	40	—	—	40.0

Source: U.S. Small Business Administration, Fiscal Year 1975 Report (Washington, D. C.: Government Printing Office, 1975), various pages.

^aRounded to the nearest \$100. Calculated by the SFA BBER.

^bCalculated by the SFA BBER.

Note: This table has not been updated, as volume two of the latest SBA report is not yet available.

TABLE DET-6 (continued)

County Seat and Largest City	Number	Total	Highest	Lowest	Average ^a
Polk Livingston	4	255	95	35	63.8
Rusk Henderson	8	407	139	15	50.9
Sabine Hemphill	1	225	—	—	225.0
Pineland	nil	—	—	—	—
San Augustine San Augustine	3	175	115	30	58.3
San Jacinto Coldspring	nil	—	—	—	—
Shepherd	nil	—	—	—	—
Shelby Center	3	168	75	28	56.0
Trinity Groveton	1	40	—	—	40.0
Trinity	nil	—	—	—	—
Tyler Woodville	nil	—	—	—	—

See source and footnote at the beginning of the table.

TEXAS DATA

TABLE T-1

SELECTED INDICATORS OF TEXAS BUSINESS ACTIVITY

(Seasonally adjusted, 1967 = 100)

Index	Dec. 1976	Nov. 1976	Year-to- Date Average 1976	Per cent Change	
				Dec. 1976 from Nov. 1976	Year-to- Date Average 1976 from 1975
Business Activity	246.9	240.3	228.3	3	17
Estimated Personal Income	271.9 ^P	265.9 ^P	254.9	2	12
Bank Debits	461.4	445.5	417.2	4	22
Total Electric Power Use	204.4 ^P	185.6 ^P	186.7	10	14
Total Industrial Production	133.1 ^P	131.0 ^P	130.3	2	4
Urban Building Permits Issued	249.8 ^P	241.9 ^P	233.4	3	24
Total Nonfarm Employment	140.8 ^P	140.7 ^P	139.2	**	3

Source: Bureau of Business Research, The University of Texas at Austin, Texas Business Review, February, 1977, p. 22.

^PPreliminary.

**Change is less than one-half of one per cent.

TABLE T-2

EMPLOYMENT ESTIMATES FOR TEXAS

(In persons, except as noted)

Item	Dec. 1976	Dec. 1975	1976	1975
Labor Force	5,593,363	5,396,792	5,535,000	5,280,000
Employed	5,298,457	5,093,433	5,217,000	4,986,000
Unemployed	294,905	303,359	318,000	294,000
Unemployment Rate	5.3%	5.6%	5.7%	5.6%

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

^aNew benchmark year: 1976; data not comparable to those in reports previously published.

TABLE T-3

PERSONAL INCOME IN TEXAS AND THE UNITED STATES: DECEMBER, 1976

(In millions of dollars, except as noted)

Entity	Dec. 1976	Dec. 1975	Per Cent Change
Texas	6,640 ^p	6,093	9.0
The United States	120,985 ^p	110,707	9.3

Source: Business Week, March 21, 1977, p. 174.

^pPreliminary.

UNITED STATES DOMESTIC AND INTERNATIONAL DATA

TABLE USD-1

AGGREGATE DEMAND AND SUPPLY

(In billions of dollars)

Item	1976 ^P	1975	1974
Gross National Product in Current Dollars	1,692.4	1,516.3	1,413.2
Gross National Product in Constant (1972) Dollars	1,265.0	1,191.7	1,214.0

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

^PPreliminary

TABLE USD-2

INDUSTRIAL PRODUCTION

(Monthly data seasonally adjusted, 1967 = 100)

Item	Jan. 1977 ^e	1976 ^P	1975	1974
Federal Reserve Board Index of Industrial Production	131.5	129.8	117.8	129.3

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

^eEstimated.

^PPreliminary.

TABLE USD-3

MONETARY AGGREGATES

(Seasonally adjusted, in billions of dollars)

Item	Dec. 1976	Dec. 1975	Dec. 1974
Money Stock (M ₁) ^a	311.9	294.8	283.1
Money Stock (M ₂) ^b	739.6	664.3	612.4
Monetary Base ^{c,d}	115.7	108.5	104.4

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

^aDemand deposits, plus currency and coin in circulation.

^bM₁ plus savings and time deposits in commercial banks other than negotiable CDs of \$100,000 and larger.

^cTotal reserves of member banks plus currency and coin in circulation.

^dCalculated by the SFA BBER.

TABLE USD-4

STOCK MARKETS

Item	Jan. 1977	1976	1975	1974
New York Stock Exchange Index (Dec. 31, 1965 = 50)	56.28	54.45	45.73	43.84
Average Daily Volume (Thousands of shares)	23,562	21,189	18,568	13,883
American Stock Exchange Index (Aug. 31, 1973 = 100)	111.04	101.63	83.15	79.97
Average Daily Volume (Thousands of shares)	3,268	2,565	2,150	1,908
Standard & Poor's Corp. Composite Index of 500 Stocks (1941-43 = 10)	103.81	102.01	85.17	82.85

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

TABLE USD-5

EMPLOYMENT

(In thousands of persons, except as noted)

Item	Jan. 1977 ^a	Dec. 1976	1976	1975	1974
Civilian Labor Force	95,516	95,960	94,773	92,613	91,011
Employed	88,558	88,441	87,485	84,783	85,935
Unemployed	6,958	7,517	7,288	7,830	5,076
Unemployment Rate	7.3%	7.8%	7.7%	8.5%	5.6%

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

^aSeasonally adjusted.

TABLE USD-6

PRICE INDICATORS

(1967 = 100)

Index	Month and Year	Present Month	Previous Month	1976 ^P	1975	1974
Consumer Price Index	Jan. 1977	175.3	174.3	170.5	161.2	147.7
Wholesale Price Index	Jan. 1977	188.0	187.1	182.9	174.1	160.1

Sources: Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, February, 1977, p. A46, and Bureau of Labor Statistics, Region Six, "Consumer Prices: January, 1977," February 18, 1977, p. 2.

^PPreliminary.

TABLE USD-7

PURCHASING POWER OF THE DOLLAR

(Values rounded to nearest cent)

Index	Jan. 1977	1976	1975	1974
Consumer Price Index (1967 = \$1.00)	\$0.57	\$0.59	\$0.62	\$0.68

Calculated by the SFA BBER from Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, February, 1977, p. A46, and Bureau of Labor Statistics, Region Six, "Consumer Prices: January, 1977," February 18, 1977, p. 2.

TABLE USD-8

INTEREST RATES AND YIELDS

(In per cent per annum)

Item	Month and Year	Present Month	Previous Month	1976	1975	1974
Federal Funds Rate	Jan., 1977	4.61	4.65	5.05	5.82	10.51
U. S. Treasury Bills (3 mos.)	do	4.62	4.35	4.98	5.80	7.84
U. S. Government Bonds	do	6.68	6.39	6.78	6.98	6.99
Corporate Bonds	do	8.41	8.47	9.01	9.57	9.03
Conventional New Homes Mortgages						
Contract Rate	Dec., 1976	8.87	8.83	8.76	8.75	8.71
Fees and Charges	do	1.39	1.36	1.44	1.54	1.30

Sources: The Federal Reserve Board of Governors, Federal Reserve Bulletin, February, 1977, pp. A27 and A40, and Economic Indicators: February, 1977, Prepared for the Joint Economic Committee by the Council of Economic Advisers (1977), p. 31

Note: Effective January 1, 1977, the statistical series on common stocks, preferred stocks, commercial bank finance rates on new automobiles (36 mos.) and personal loans (12 mos.), along with several others, have been discontinued and no longer appear in the Federal Reserve Bulletin. Thus, they have been deleted from this table.

TABLE USI-1

U. S. INTERNATIONAL TRANSACTIONS

(In millions of dollars)

Item	3rd Qtr. 1976	2nd Qtr. 1976	1975	1974
Merchandise Exports	29,581	28,428	107,133	98,310
Merchandise Imports	32,614	29,771	98,150	103,679
Merchandise Trade Balance	-3,033	-1,343	8,983	- 5,369
U. S. Direct				
Investments Abroad (net)	-1,245	- 202	- 6,307	- 7,753
Foreign Direct Investments in the United States (net)	784	422	2,437	2,745

Source: The Federal Reserve Board of Governors, Federal Reserve Bulletin, February, 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	Jan. 1977	Dec. 1976	1976	1975	1974
British Pound	1.71	1.68	1.80	2.22	2.34
Canadian Dollar	0.99	0.98	1.01	0.98	1.02
French	0.20	0.20	0.21	0.23	0.21
German Mark	0.42	0.42	0.40	0.41	0.39
Japanese Yen ^b	0.003	0.003	0.003	0.003	0.003
Mexican Peso ^b	0.05	0.05	0.07	0.08	0.08
Swiss Franc	0.40	0.41	0.40	0.39	0.34

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

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