

Business Outlook

1961-62 Sure To Be Better Auto Year Than 1960-61; But How Much Better?

By J. A. Livingston.

THE shape of business in 1961-62 will be far different from that of 1960-61, because of the shape of the automobile industry. It could be better, but it isn't bad.

Dealers are now showing 1962 models. Unlike last year, their car lots are not loaded to capacity with year-old models that they must push out at all costs.

Last year's new cars in October and November are like common stocks in a declining market. Just sitting, they depreciate. And carrying charges — interest — eat into the dealer's profit-and-loss account.

Dealer inventories of new cars, at 657,000, are down 200,000 from a year ago. And since clean-up of 1961s was good, the great proportion is 1962 models. The depreciation problem has been minimized.

Moreover, fewer used cars overhang the market, and prices are good. Two-year-old Chevrolts and Fords generally sell about \$100, or 8% above what a comparable 2-year-old would have sold for a year ago. This is a good beginning.

Buyers Better Off.

And so is the indicated 1961-62 pattern of production. It will not be as erratic as 1960-61 output. Influenced by a high level of sales in October and early November, 1960, automobile companies produced for an expanding market.

Perhaps they were fooled by the burst of effort of dealers to sell 1960 models. But the dealers soon ran out of immediate customers. And production went on merrily, too merrily, and soon dealer inventories were well above a million cars.

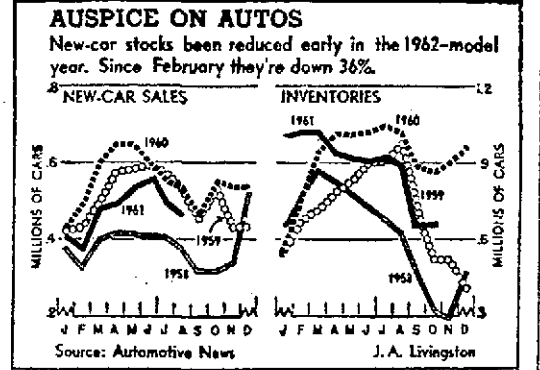
Result: Layoffs and stop-and-go production. The new wage contracts include short-work-week benefits for workers. Stop-and-go production will cost companies cold cash.

Car-buyers — you and I — are in better financial shape than last year. Our cars are not mortgaged up to the door handles. Repayment of automobile installment debt on cars has exceeded new credits for 9 months on a seasonally-adjusted basis. Automobile installment debt on Aug. 31 was \$17,350,000,000 versus \$18,020,000,000 the year before.

On top of that, personal income has been rising. Inference: Consumers have buying power. Sales Indecisive So Far.

Sales reports for the second 10 days of October were indecisive. Only American Motors, up 10%, and Studebaker-Packard, up 11%, reported gains. General Motors was down 6% from the second 10 days of October a year ago; Ford 13%; Chrysler 29%.

But James M. Roche, director of GM distribution, is optimistic. He considers the results encouraging. Both GM and Ford, hampered by strikes, have not adequately



Stocked dealers in key models. Despite the saying, "As autos go, so goes the country," it's more reasonable to say that as goes the country, so go autos.

Passenger cars are a consumer goods. They respond to consumer demand. They don't create it. To be sure, sometimes something radically new and attractive stimulates desire.

The automatic transmission was a technological breakthrough which in time generated dissatisfaction with older models. It was responsible, in my opinion, for the high level of sales in 1955.

Psychological Drawback. The compact car also marked a technological

change, which followed the foreign-car invasion. And though the compact has taken a larger share of sales of domestic cars, it has not greatly expanded the total market. Aside from 1960, sales of domestic cars have been below the levels of 1954 through 1957.

The bitter, ceaseless test of wills is a pall on initiative, desire, and the light-spirited confidence that cause people to spend. So, even though personal income and credit are favorable, psychology is not.

Though 1961-62 will be better than 1960-61, the big question still is: How much better?

Investment Funds. Table listing various funds and their performance.

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50 Years Ago-- A Meager Start For a New Car

DETROIT — Chevrolet, which conquered early forecasts of oblivion and an automobile legend to become the world's best selling car, will celebrate its 50th anniversary Friday.

The early hardships stemmed from the company's meager beginnings in an old garage building in Detroit with shoe-string financing and an organization which produced and sold less than 25,000 cars during its first 5 years.

The legend was that of Henry Ford and his Model T, an automobile which aroused great public appeal as a car for the masses about the time Chevrolet was seeking a foothold in the automobile business.

Investor's Guide

When War Starts, Stocks Decline, Then Move Ahead

By Sam Shulsky. Q. How would war affect the stock market? Would funds be safer in a bank than in stocks and bonds?

A. Historically, the immediate result of the outbreak of war has been to depress common stock prices. The stocks market does not like uncertainty. The shock attending the outbreak of fighting has often caused professional traders and speculators to pull back to the sidelines to get their bearings, to try to evaluate the situation.

This happened in 1914 and in 1941 and also when the Korean war broke out in 1950.

Then: Recover.

It is just as true, however, that after the initial shock, stock prices have generally risen. The reason is simple: inflation.

Every war in our history has boosted the cost of living and driven down the purchasing power of our dollar. Even post-war periods of depression have not, in this century, brought a return to pre-war levels.

When a country spends billions of dollars for non-productive weapons and munitions, the public debt is necessarily increased, the supply of money in circulation is inflated, but the amount of consumer goods available is not increased in proportion. The result is higher prices for goods, lower buying power for the dollar.

Since the war-time borrowings by the federal government often become a permanent part of the public debt, the increased interest needed to service the debt becomes a perma-



CHEVROLET AND HIS CAR—Next Friday marks the 50th anniversary of the Chevrolet car. Pictured is the famous race driver, Louis Chevrolet, displaying his experimental 1911 car which went into production in 1912—the beginning of one of the automotive industry's most fabulous success stories.

its first important bid for volume sales in the American mass market. Chevrolet became a part of General Motors in 1918.

Nearly 200 automobile companies existed when Chevrolet was founded in 1911. The number had dropped to 136 by 1920. A survey of all General Motors properties in 1920 produced the recommendation that Chevrolet be liquidated because it "could not hope to compete in its field."

Alfred P. Sloan, jr., then GM vice-president in charge of operations and later long-time GM president and board chairman, argued strongly against the recommendation. He won his point with GM President Pierre S. du Pont and Chevrolet was saved.

During its 50-year history, Chevrolet has built more than 45 million cars and trucks. It took Chevrolet nearly 12 years to produce its first million vehicles. Today it takes about 5 1/2 months of regular operations.

Eastern Iowa Business News

Anamosa — Harry McBride, who has been associated with Goettsch funeral home for 6 years, has purchased the Steger funeral home at Dyersville.

Decorah — Merlyn Pierce, manager of the Coca-Cola Bottling Co. in Decorah, has been named manager of the Coca-Cola plant in Dubuque. He has been here about 25 years.

Springville — The board of directors of the Brown Township Mutual Insurance Assn. has elected Alice R. Thompson as secretary and treasurer. She succeeds her late husband who held the post for 10 years.

Waukon — Elmer Bechtel has taken over the Steiber cafe which he will operate with his tavern.

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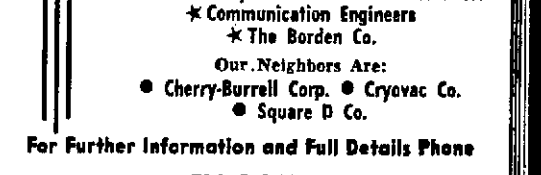
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