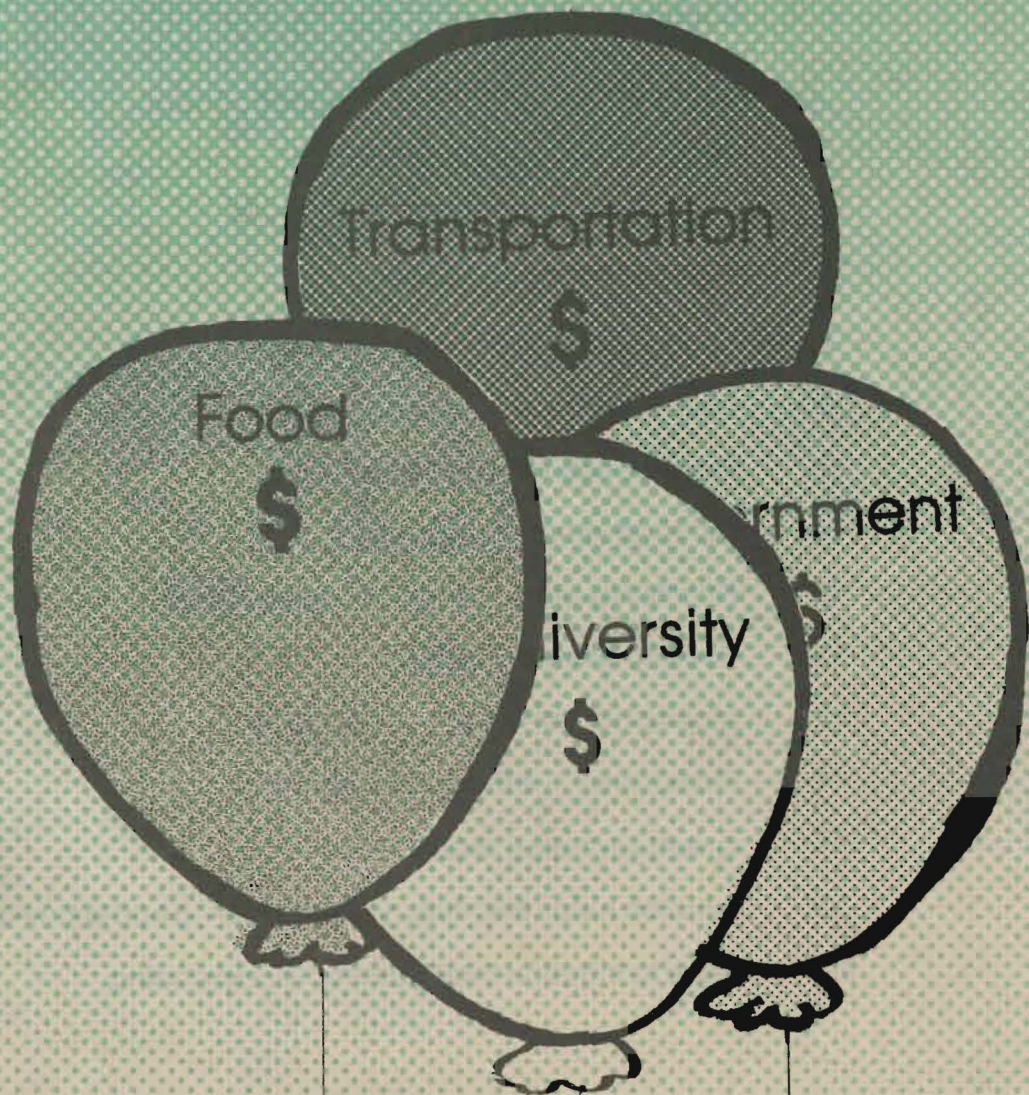




Magazine



INFLATION

Up, up and away....



Magazine

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Magazine is a special
in-depth section published
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the product of Cliff Rowe's
Interim In-Depth Reporting
Class.

Inflation

Complex inflation not unsolvable.

By Erik Appelo

This story is based on a class interview with two professors from Pacific Lutheran University: Stanley L. Brue from the economics department and Andrew Turner from the business department.

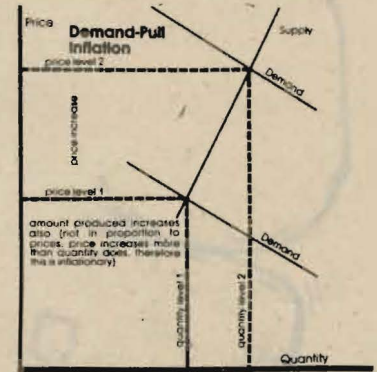
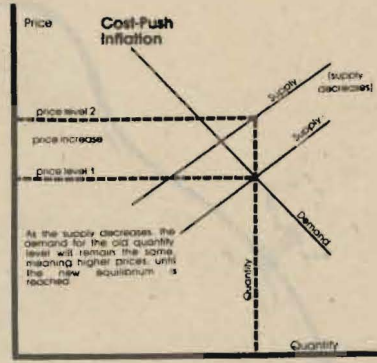
In recent years the topic of inflation occupied an increasingly centralized role in the discussion of economics among laymen and professional economists. This is because inflation is considered the largest economic problem facing the country today.

But what makes people more interested in inflation is this—it has stepped out of its traditional role of being a strictly economic problem, and pervaded the political and social structures of our society. Many fear that inflation has become imbedded and unremovable.

In these articles we hope to show the inflation problem is not unsolvable, and show what some people are doing personally to combat elements of the problem.

Inflation is defined as a sustained rise in the general price level. For example, a three percent increase in the general price level above the increase in wages is considered to be inflation.

Inflation is not exclusively a modern phenomenon. Inflation has occurred in history, usually during and immediately after wars. An examination of the Wholesale Price Index shows the annual inflation rate as high as 25 percent during and shortly after the Civil War. The Second World War was accompanied by rapid world inflation. However, the United States was affected very little by this rise. It really



was not until 1967 that the United States had a problem with inflation. Since then inflation rates have climbed steadily.

There are three pervading trains of economic thought with regards to inflation: The Keynesian theory of economics introduced by John Maynard Keynes, the Monetarists, and the New Supply Siders. All have different approaches to the questions raised by inflation.

The Keynesian theory places the blame of inflation on too much demand in the economy. There are simply too many dollars chasing too few goods and services.

There are two different kinds of inflation under this theory—Demand-Pull and Cost-Push.

Demand Pull Inflation:

The demand for a product increases, but the supply does not. This creates one condition that economists worry about, higher prices for less goods and services.

Cost-Push Inflation:

The price of materials to make an item will rise with the cost passed on to the consumer in the form of a price increase.

In order to control and curb inflation, the Keynesian theorists would have us implement price controls and reduce government expenditures.

The Monetarists feel that there is one single cause of inflation which overrides all else—too rapid growth in the money supply. They see the federal government (more specifically, the Federal Reserve Board) as the chief culprit of increasing the money supply. The Monetarists reason that Cost-Push Inflation could not possibly occur because the price of a product would not rise without the money to sustain it. To relieve inflation, the Monetarist says reduce the supply of money, which is something only the Federal Reserve Board can do.

There is a recent approach called the New Supply Siders. This group formed because they felt that neither the Keynesians nor the Monetarists held the answer to inflation.

Their reasoning on economic problems, such as inflation, is dominated by quantity supplied rather than the traditional demand explanations. They say that if you were able to keep the rate of inflation below the rate of output it would stop a condition called stagflation, which is simply inflation coupled with a high rate of unemployment, resulting in a drop in productivity which means a decline in the Gross National Product.

Today's inflation is new and more complex than that seen in the past, and it is for this reason that so many economists are having trouble analyzing and solving the problem. In the meantime each individual will have to battle inflation until a common solution can be found.

Government

State secure despite inflation

By Dave Arbaugh

The Washington state government does not have a solid plan to deal with rising costs because its eyes are turned toward the federal government for answers to the economic plight of the nation, according to an economist with the state Department of Revenue.

Although there is nothing specifically the state is aiming to do to try to stop inflation, "we try to accommodate it," said Skeets Johnson, who was a banker before coming to the Department of Revenue.

Johnson said that nothing can be done at the state level to try to control inflation. Everything depends upon the psychology of the people, exchange rates, and other nationally-affected economic events.

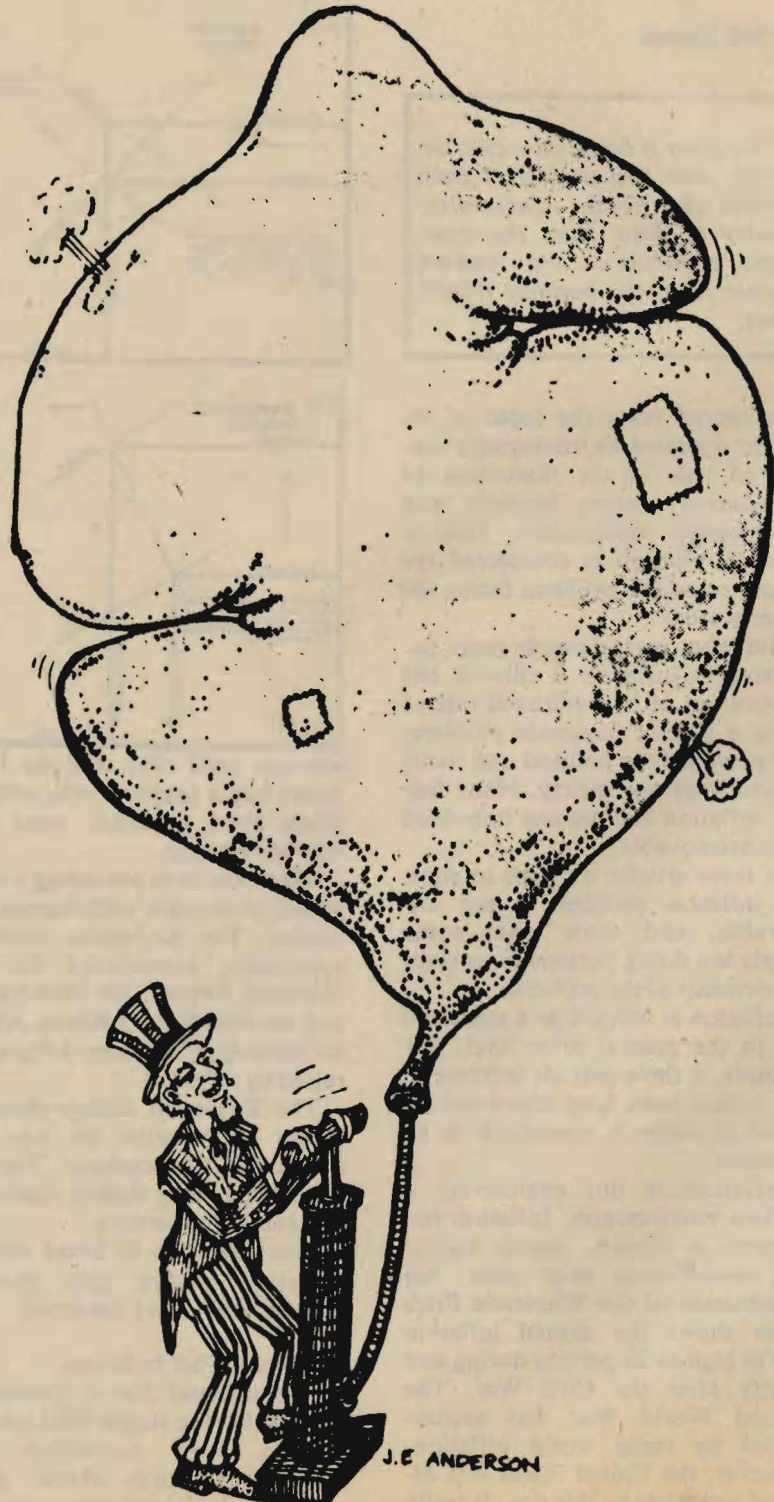
Some in the legislature feel that Washingtonians do not have the economic problems that other parts of the nation may be having.

Senate Ways and Means Committee Budget Analyst John Van Gorkom said that Washingtonians tend to be better off economically than national averages, due to Boeing.

"Washington state citizens are getting a good deal," according to Representative Georgette Valle of Seattle.

Valle, a Democrat, said that compared with other states, Washington is better off because there are property tax modifiers, no income taxes, low sales taxes, and no corporate taxes. There is also an effort not to increase the cost of government in each biennium, said Valle.

International trade is another fac-



Government

tor in Washington's economic state of health, said Van Gorkom.

Currently, Washington's economic relations with China are very good. As long as these relations keep improving, Washington will be in better shape to meet the woes of a declining economy, said Van Gorkom.

Washington also has a good "in-migration" rate, he said. With more people moving into the state, more money is brought in.

According to the Economic and Revenue Forecast for Washington State, net migration in 1980 was 86,000 with a population increase over 1979 of 3.1 percent. The forecasts for 1981 are that the net migration will drop to 55,000. The predicted increase in total population change will be 2.3 percent in 1981.

According to Van Gorkom, the legislature may be able to cut consumer costs by dealing with some usury rate regulations. Washington banks are limited to charging a 12 percent interest rate by an 1895 law. If these usury rates are raised from 12 to 18 percent the result could be short-run inflation. In the long run, the higher interest rates would work

to "choke off" demand and would not be so inflationary, according to Van Gorkom.

Another area where the legislation may reduce consumer costs is property tax reductions to citizens 61 years of age or older, said Van Gorkom. This would aid people who

conditions are bad, people spend less. Therefore, the government has less to work with and frequently must

raise taxes at inappropriate times.

Fred Adair, Research Analyst for the House Energy and Utilities Committee, said that energy costs are less than the national average in the Northwest. The reason for the

When economic conditions are bad, people spend less. Therefore, the government has less to work with and frequently must raise taxes at inappropriate times.

are on a fixed income.

In his office, Van Gorkom prepares the state budget based upon the implicit price deflator instead of the consumer price indicator. The implicit price deflator is a "much more accurate measure of inflation," said Van Gorkom.

Although he doesn't see prospects of it passing in the immediate future, Van Gorkom said that an income tax instead of a general sales tax would be an aid to recovery from a shaky economy. The sales tax is a tax based on spending. When economic con-

price difference is the Northwest's wealth of hydroelectric facilities.

This also makes the Northwest somewhat more sensitive to price increases for energy, according to Adair.

The state is also susceptible to fluctuations in the housing industry, according to Senator Hal Zimmerman, a Southwest Washington Republican. Timber is a major industry in the state, and the stability of that industry can be felt throughout Washington's economy, said Zimmerman.

Price Index measures the market

By David Arbaugh

Two measures of inflation used frequently in some of these articles are the Consumer Price Index and the Implicit Price Deflator.

The Consumer Price Index (CPI) is widely used by press in coverage of the economy. It is a statistical measure of the average of prices of a specified set (called a

"market basket") of goods and services purchased by wage earners in urban areas.

The Implicit Price Deflator is not used so readily by the press. "It's harder to explain," said John Van Gorkom, budget analyst for the state senate. This deflator is a measure of price changes taken over a period of time, of goods and services. It is not based on a

"market basket" as is the CPI. Instead, it is based on consumption data in the National Income Accounts. Thus, it reflects changes in the actual consumption patterns of American consumers.

This information is based on information from Roger L. Miller's book, *Economics Today* and the *Economic and Revenue Forecast for Washington State*, published by the Office of Financial Management in December 1980.

University

Conservation earns PLU a grant.

By Linda Grippin

PLU is concerned about its energy consumption, according to Perry Hendricks, Vice President of Finance and Operations.

"PLU has a good record for energy conservation," Hendricks said in describing the successes and problems it has had while trying to cut down its energy usage. Since 1973, PLU has cut down its electrical consumption by 2,358,117 kilowatts per hour, and natural gas and fuel oil consumption by 188,830 therms. Such cutbacks, Hendricks said, have helped PLU receive regional recognition.

PLU has received a grant from the Union Pacific Foundation to provide Olson, Xavier, and the University Center each with a balancing device system to keep the buildings at an energy consumption minimum, Hendricks said.

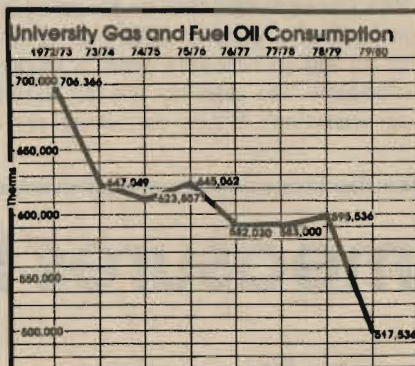
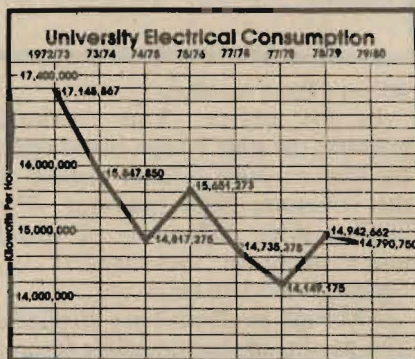
According to Hendricks, the library now runs on a similar system which involves many complicated balances. The heat given off from the fluorescent lights is an element used to balance this complex system.

Hendricks feels that a lot of the cutbacks have come from greater awareness of a need for conservation. In 1973-74 "gang showers" were common among students, he said, which involved turning on all the hot water in the bathrooms and letting it run to create an almost sauna effect. Hendricks said this resulted in a great waste of energy by the large use of hot water and escaping of steam out opened doors. These have become less and less common over the years, said Hendricks, adding that students are beginning to see a need to conserve.

Every year PLU's energy costs go up 20-30 percent, Hendricks said, adding that this is the "highest rate of increase that the University pays for."

Last year a "Conservation Philosophy" policy was passed, which is designed to heighten conservation awareness at PLU and let others know where the University stands on the issue of conservation.

In short, the conservation



philosophy says: "Pacific Lutheran University is dedicated to conservation and believes it is necessary now, and will be even more so in the future, to control and to conserve electricity, natural gas, fuel oil, gasoline, diesel fuel, and any other measurable sources of energy in the conduct of the University's operations....The implications of energy consumption, as well as reduction, concern, comfort, safety, transportation, and nearly every

aspect of providing educational services....Further, it will be necessary for all elements of the University community to work together cooperatively and enthusiastically to find better ways of accomplishing these purposes with minimal consumption of energy."

Hendricks said, "There are 1700 student helpers out there." Being "considerate" is the biggest thing students can do to help conserve.

He suggests closing windows, especially on cold mornings, turning down thermostats, and shutting off lights, radios, and other appliances when not in use. Hendricks stressed that he did not want students to go so far overboard that they endanger their health or eyesight.

He also suggested that students car pool more often and start using the bus.

According to Hendricks, some of the long range goals that the school is considering are such things as getting another boiler system for the UC which will allow them to lower the water temperature to the suggested level. This was not possible before because to operate the dishwasher most effectively, the temperature needed to be 20 degrees higher than the recommended level.

Another thing the school is looking into is converting all the glass used in windows on campus to a more energy-efficient type—one that allows less heat loss through the pane.

All light systems have been cut back to the national requirement.

Hendricks feels that if everyone does what they can, PLU will be able to see a greater drop in its energy use in years to come.

PLU tuition reflects inflation trend

By Craig Koessler

Rising tuition costs are proof that Pacific Lutheran University is feeling the bite of inflation.

PLU President, Dr. William O. Rieke, said he was pleased with the tuition rate in relation to family income. He said that five years ago, tuition at PLU took a 16 percent "bite" out of the average family income, and that every year since then the bite has run with half a point of that 16 percent figure. This is despite the fact that tuition has almost doubled in this same period of time.

Many students fail to recognize the energy conservation efforts and budget cutbacks that go along with the raises in tuition at PLU, according to Rieke.

Although Rieke maintains that PLU is not in a budget crisis, he cited rising energy costs (24-25 percent next year) as a major concern to the University's financial outlook.

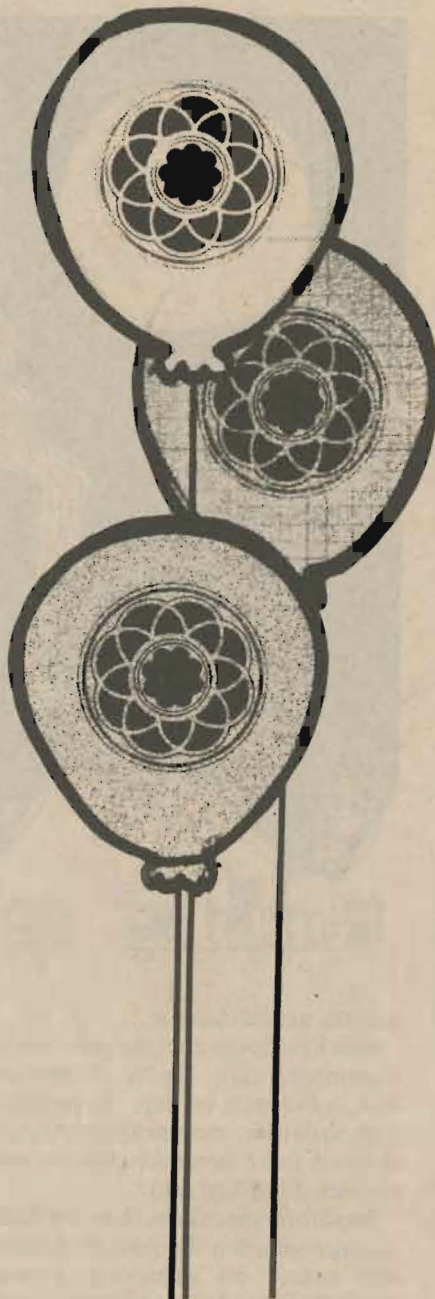
To compensate for the expected operating cost increase, PLU's tuition was raised.

At the same time, an in-depth look into what conservation efforts PLU could make was also done. "We're taking this pretty seriously," Rieke said.

One aspect of more efficient energy use being examined by PLU is alternate ways of heating the swimming pool. Rieke said the installation of solar heating panels either on top of Memorial Gym or on top of the pool building is a very real possibility.

Rieke also said the insulation of campus buildings and residence halls, particularly the windows in Harstad Hall, were being looked into.

Rieke said that PLU has decreased their use of natural gas and electricity but that the rates are still going up. "We're using less but still paying the same amount." He said



that five percent of the University's \$20 million budget goes to utility costs.

Rieke also issued a memo for this academic year urging teachers to

comply with the federal room temperature regulation, 65 degrees.

In the event that PLU should experience a severe budget problem, Rieke said the first areas to be cut back would be administrative and public relations travel, as well as a freeze on supply purchases.

He said that there was little money to be had in these areas and that the only way to handle that sort of problem totally is to cut back on workers. "That's where three-fourths of the budget goes," he said.

Rieke said that it is in unstable economic times when school counselors and recruiters work their hardest to get students to come to PLU. He said, "We have found it to be counter-productive to cut back in recruiting. That's where the major source of revenue is."

Rieke mentioned projects undertaken to meet the increasing number of government regulations is another costly expense.

He said, "The passing of the Handicap Code has forced us to put an elevator in our administration building, which was just recently completed, as well as construct ramps for the various buildings on campus. Meeting the code's requirements will cost us \$100,000 to \$200,000."

Rieke also said that destructive fires this year are causing fire marshalls to take a more strict view of building safety. Rieke said it is not too far down the road when all residence halls will be required to have smoke detectors in each room. The cost of outfitting Tingelstad Hall alone would cost \$60,000, according to Rieke.

President Rieke said he feels pretty good about how PLU is handling these inflationary times, but at the same time will continue to explore new ways to cut operating costs.

Unions fight inflation for members

By Keith Markman
and Tony Merz

The Seattle Professional Engineers Employees Association (SPEEA) was just one of many labor organizations forging a new contract with an employer last year in the face of double-digit inflation.

Created in 1944 by 50 engineers in the Seattle area, SPEEA has about 20,000 engineers and technical workers in The Boeing Co., making it the largest independent union in the United States.

Even though it has made significant gains in wages and benefits for its white-collar-worker members, the union's executive director, Bob Bradford, said those members still feel the bite of inflation.

"During a period of high inflation, we (engineers) lose an average of \$1,500 to \$3,000 over a 3-year period compared with blue collar workers," Bradford said. That estimate is based on a formula devised by SPEEA, he added.

The white collar worker wants his share of the wage pie, Bradford said, and the union is expected to deliver it. "When they see beer and garbage-truck drivers making in excess of \$30,000, they ask themselves, what am I doing? With double-digit inflation forecast all decade, we must make our bid," he said.

The bid in their most recent negotiations with Boeing last fall and into the winter included a revision in the cost-of living allowance.

The previous contract with the company had allowed for a wage increase of .5 percent in cost-of-living allowance (COLA), not to exceed the forecast increase in the cost of living. That meant that the COLA "capped," and would create less of a wage increase for the workers if the forecast COLA increase were less



that the actual increase.

The new Speea contract, ratified in December, calls for a .4 percent COLA but with no cap. In times of high inflation, the uncapped COLA is much more favorable for the employees, Bradford said.

Bradford speculates that the fight against inflation by organized labor will center on achieving greater productivity of its members and keeping COLA percentages uncapped.

There was speculation that economic pressures on their families might have influenced the decision of

SPEEA members to ratify the Boeing contract rather than strike. Bradford said that's difficult to determine, but other sources noted that SPEEA members voted of the contract by mail at home and may have felt the pressure of family members in casting that vote.

"Inflation is not helping anybody," Bradford said. "Inflation may lead the members to believe that it is an inability of the union to respond. We have already attained the cost-of living average to fight inflation, so there's really not much else we can do."

Food

Comparative shopping saves

By Felicia Wysocky

Consumer prices have risen over 26 percent in the last two years, and may rise another 11.4 percent in 1981, according to the January 19, 1981 issue of *Time* magazine.

As most salaries are not rising on this same level, consumers are finding that they are having to cut expenses more and more.

One of the biggest areas of possible reduction is in the trip to the grocery store. Many consumers think that they have cut back on their food budget, and are putting their food dollars to good use, but are they? Exactly where are the best buys? What is the best way to go about grocery shopping? And just how can you make the most out of what you buy?

In a survey of nine Tacoma area grocery stores, some interesting facts were discovered. Some of these facts came directly from consumers, others from store personnel.

First, plan a budget and stick to it. According to Nutritionist Betty Bishop, "By knowing just what there is to spend, most people plan and eat better."

Many people find that the use of a calculator or some other adding system to total purchases while shopping is an invaluable aid in budgeting. A single Puyallup man, who is a confessed "compulsive buyer," uses this method to keep him from buying unnecessary items. An Orting couple on a tight budget finds this is the only way they can keep track of what they are spending. If you look around as you shop, you will see many shoppers adding as they go.

The couple from Orting also puts taxable items in one section of the cart and non-taxable items in another. Or, if shopping together, they use separate carts. This system allows them to add the tax before

they are done shopping and prevents overspending the budget.

On buying, a "Lucky" store manager says, "It's important to be informed about what you are buying. Read the labels and compare needed quality for price." He also adds, "Don't buy higher quality goods than you need. For example, it isn't economical to use prime rib for stew meat."

Don't shop brand items just because that's what you've always bought. According to one Tacoma housewife, "It's well worth it to read the unit prices and compare. I can easily save 10 percent of my grocery bill by taking the time to compare items. Really, that is what shopping is all about," she said.

Know which stores have the best prices on various items. Several Parkland women often find that different stores have sizable price differences for the same items.

They also experiment with generic foods, and find that often the only difference is the price.

One elderly Spanaway woman economizes by buying in bulk. She found that larger quantities are usually cheaper, and that even single people can buy non-perishable items

soup stock. Bouillion, meat bones, leftovers, vegetable skins and peelings, and spices make good inexpensive seasonings for her soups.

A small Puyallup family on a high protein diet buys cheaper cuts of meat and uses tenderizers and spices to improve flavor. They find they get little taste difference for much less money.

This same family also makes it a point to shop only after eating. They've found that hungry people buy more groceries.

Know what you want before going into the store. A small grocery store owner said, "This prevents throwing last-minute items into the cart, and keeps shoppers from wandering aimlessly around the store looking for goods."

A checker added that real savings can be found on day-old bread and day-old meat. "They just have to be used a bit sooner," she said.

Many shoppers get more out of their money by making use of coupons, sales and temporary price reductions. A newlywed couple from Roy pays special attention to newspaper ads and flyers. "Plan-

GROCERY STORES	Leftover (1 lb/cy)	Potatoes (10 lbs)	Apples (1 doz)	Ground Beef (1 lb.)	Peppercorn Butter (1 lb)	Milk (2 x 1/2 gal/10)	Bread (white, 1 loaf)	Cheese (1/2 pack 12 oz)	Consumers' interests	
Safeway	\$.69	\$.49	\$.33	\$ 1.59	\$ 1.39	\$ 1.01	\$.39	\$ 2.15	high quality meats and produce, reasonable prices	\$ 8.30
Piggly Wiggly	\$.69	\$.59	\$.49	\$ 1.99	\$ 1.39	\$ 1.00	\$.43	\$ 1.69	courtesy and customer service	\$ 8.71
Food King	\$.59	\$.39	\$.39	\$ 1.99	\$ 1.39	\$.95	\$.85	\$ 2.15	one-stop shopping and convenient location	\$ 8.73
Lucky	\$.69	\$.45	\$.49	\$ 1.68	\$ 1.29	\$.87	\$.49	\$ 2.19	lower prices and convenient locations	\$ 8.36
Air Force Commissary	\$.33/lb.	\$.39	\$.25	\$ 1.88	\$ 1.19	\$.73	\$.53	\$ 1.85	military families interested in low prices and variety	\$ 7.15
Mark-It Foods	\$.67	\$.47	\$.45	\$ 1.91	Temp. out of stock	\$.90	\$.47	\$ 1.98	one-stop shopping and variety	\$ 7.07
Holiday Foods	\$.69	\$.39	\$.33	\$ 1.94	\$ 1.44	\$ 1.01	\$.85	\$ 2.39	cleanliness and orderly displays	\$ 9.04
Bargain Basket**	\$.45/lb.	\$.39	\$.49	\$ 1.89	\$ 1.23	\$ 1.10	\$.50	\$ 2.19	intelligences and convenient location	\$ 8.44
Terry's Store**	\$.69	\$.59	\$.49	no stock	\$ 1.39	\$ 1.09	\$.81	\$ 2.39	one or two item buying, convenient location	\$ 7.45

January, 1981

in very large quantities. "But," she cautioned, "don't buy what you don't have room to store."

She is also careful to make total use of her food. She puts leftovers into soups or casseroles and saves liquids from boiling vegetables for

ning and buying on sale can mean big savings for us," they said.

Lastly, keep track of what is spent in time and money in getting to the store. Make sure the store you shop at is the most inexpensive store for you.

Food coops sell a lifestyle

By Cindy Wolf

Puget Consumers Co-operative (PCC), in Kirkland, is owned, managed and operated by its more than 6,000 members, who also shop there and pay anywhere from five to twenty-five percent lower prices.

Members pay \$8 to join PCC and \$2 a month until they have \$60 in their account fund, said John Grillo, an administrative member, who also teaches marketing at Bellevue Community College.

The idea of food co-ops, said Grillo, is to keep prices low by returning the profit back into the operation to help pay inventory cost. Grillo said that PCC's profit goal is one percent.

Since the store is owned by the members, Grillo said that there are no profits earned "by anyone or any group of people," adding that this "gives us an edge on competition."

Another edge on the competition is the customer service relations.

When a new member joins, they have to go through an orientation process of the store, Grillo said, adding that in the orientation they teach the members to buy in bulk, and about nutritional values.

People pay 50 percent higher costs for pre-packaging, Grillo said. "We don't encourage people to buy canned and pre-packaged articles," he said adding that people lose money as well as nutritional value on those things.

An example he gave was safflower oil. Pre-packaged the oil costs \$2.56 a quart; if customers fill their own containers from bulk drums the oil costs \$1.75 a quart.

Shoppers can either bring their own container, or buy one for 20 to 30 cents. Shoppers weigh the containers before filling them, because PCC only charges for the product, Grillo said.

Grillo explained how pre-

packaging causes over-processing. The heating up and packaging processes take out all of the good nutrients of foods.

People aren't aware of health alternatives, according to Grillo.

He said that PCC helps people learn protein supplements and food nutrition values. People can save money on products by knowing how to make food combinations for a healthy diet, Grillo said. He recommended a book called *Diet for a Small Planet* by Frances Lappe. Grillo called this book the "Bible in food combinations."

For bulk shopping, PCC offers a wide range of liquid type products in drums, dry products in bins (beans, flours, fructose), and spices in gallon jars, to allow the shopper to cut down on packaging costs.

Fructose is named rather than sugar, because PCC doesn't sell processed sugar, Grillo said; it doesn't meet "product guidelines."

Grillo explained that all of their products must follow guidelines to be available at PCC. For example, the produce must not be treated with chemicals, must be organically grown; pre-packaged foods must not have a lot of additives.

PCC has full time employees who are also members, Grillo said, adding, "Everyone who works here has manager responsibilities."

Being a large organization, PCC

can operate with paid employees, unlike a Tacoma food co-op, that relies on members to do shop work.

The Food Bag in Tacoma has a much smaller membership than PCC, according to Louise Kazda, a staff person.

Kazda said that members of the Food Bag pay \$5 to join and \$2 a month until they have paid \$100 into the capital fund.

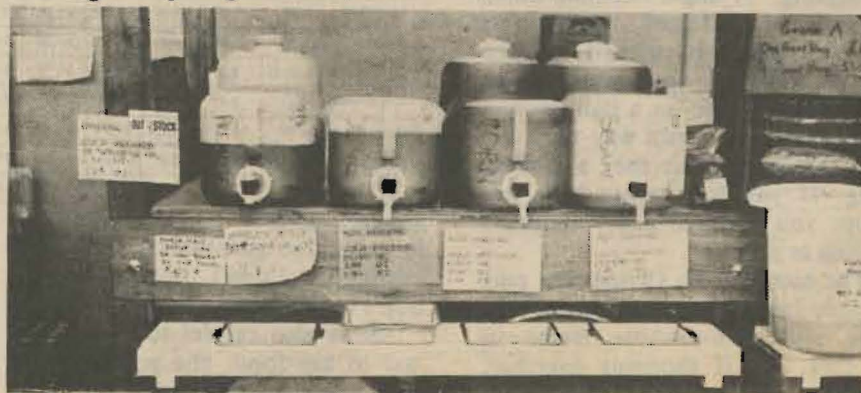
Kazda explained that members can work three hours a week and get a 20 percent discount, or work three hours a month for a 10 percent discount, on already low prices.

Some of the jobs for members are product packaging. Linda was slicing a block of cheese and wrapping it in cellophane. One woman, who was packaging a spice into one ounce packets, said, "It's a real nice feeling to know that, gee, this store really needs me."

The Food Bag, like PCC, buys in bulk and does their own packaging to help cut costs.

The Food Bag is also an organic and natural food store, and like PCC, sells spices and dry goods in bulk.

Another nice factor at the Food Bag, Kazda said, is that senior citizens, members or not, get a 10 percent discount under store marked prices. She said seniors like the food better because it isn't grown with all the chemicals.



Bulk shopping saves money.

PLU food service bites back

By Cindy Wolf

Due to the rise in food costs, this year PLU students are paying \$4.65 a day, from \$4.10 a day last year, to eat all they want at three meals a day, said Robert Torrens, Director of Food Service at PLU.

Funds for food service also come from conventions, banquets and the PLU coffee shop, Torrens said. While these sources are not for profit, they are a backup for the food service budget.

Kathy Scroggins, a food service supervisor, said Food Service uses "comparative shopping" to help stay within the budget. She said four other supervisors and herself order food and supplies by being "conscious of cheaper prices" and "shopping around."

According to Scroggins, PLU Food Service used the same dry good supplier "for years," and the supplier became disturbed that Food Service began looking for better services and prices.

Now suppliers compete for a sale, said Scroggins.

She said a supplier may go out of his way to get a specified order filled. If the supplier can't fill the order he will find someone who can, and have them deliver the order saying that he sent them.

Torrens said that Food Service suppliers bid on six-month contracts.

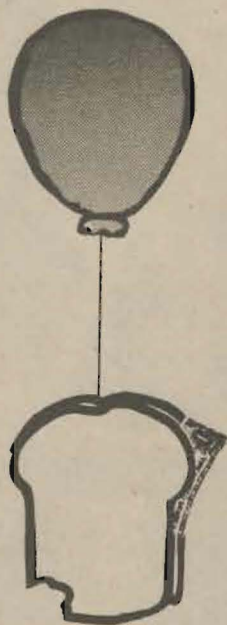
Torrens said Food Service has two kinds of accounts. One is a national account, including items such as soup and soft drinks. PLU pays below what a local dealer would pay, and "most of the time equals what the military buys," Torrens said. The other is a house account, which, according to Torrens, is filled by a local distributor, leaving out the commission.

Suppliers will also come with "special" deals.

Scroggins at one point referred to

"irregular hams" as an example. These are hams that may be too small at one end, and because of the deformity, the hams will be discounted in price.

However, Scroggins said that



before they "pick up on specials," the pre-planned menu and stock is checked to see if the money would be well spent. If there isn't storage room for a special deal, then Scroggins said she may make a "menu adjustment" and add the special to the menu.

Both Torrens and Scroggins talked of menu adjustments when prices are too high. Their example was tomatoes.

Recently tomatoes took a big jump in prices, said Scroggins. So instead of paying that cost, tomatoes have been eliminated from menus. Torrens said that food service has "a lot of menu adjustment."

Of menu adjustments due to higher costs, Torrens said, "One thing I refuse to do is to buy cheaper quality."

An example he used was of green beans. Torrens said that there are

grades, diameters, and cuts of green beans. PLU serves "fancy" green beans, which according to Torrens is the grade or quality, and won't change as long as he is at PLU.

Torrens said that complaints and suggestions from students have provided some of the best ideas.

Until five years ago, Torrens said, orange juice was poured the night before it was served in wax cups for breakfast. A student suggested putting the juice in a large coffee urn and using the "serve yourself" method. This not only cut cost in time and materials, but the orange juice is fresh, too, Torrens said.

Torrens tries to deal with each suggestion that is put in the box. The ideas that he can't deal with are ones that are not cost efficient.

Torrens said that complaining about the food is psychological. He said the food tends to "get worse" by the end of spring, because most students will eat with the same people at the same table all year with the same grating complaints.

Scroggins said that one complaint heard most often is that the food is cold. She said that the problem is due to the way the serving procedure was designed.

First you get your entree, then it takes time to fill up on salad, milk, etc., Scroggins said, adding that by the time you sit down the entree is cold.

Scroggins said that Food Service is aware of special wants and tries to fulfill them, but then students abuse those "specials."

An example she gave was sunflower seeds. Scroggins said they can only put them out on occasion because people take them by the cup-full. This is not only added cost to food service, but to the student.

"If they would take more in moderate servings, they would have more," said Scroggins.

Nutritionist plans meals for

By Susan Anderson

Spanapark Senior Center is a center full of activities for the elderly. One such program involves a nutritionist who spends one morning each month showing senior citizens how to prepare an economical meal that is also nutritious.

Betty Bishop, nutritionist from Clover Park Technical Institute, was the center of attraction during her January session.

Bishop began pre-measuring the ingredients, and introduced herself to the group, and soon preparations began. Today's menu: Teriyaki Liver, Banana-Carrot Salad and Chewy Granola Brownies.

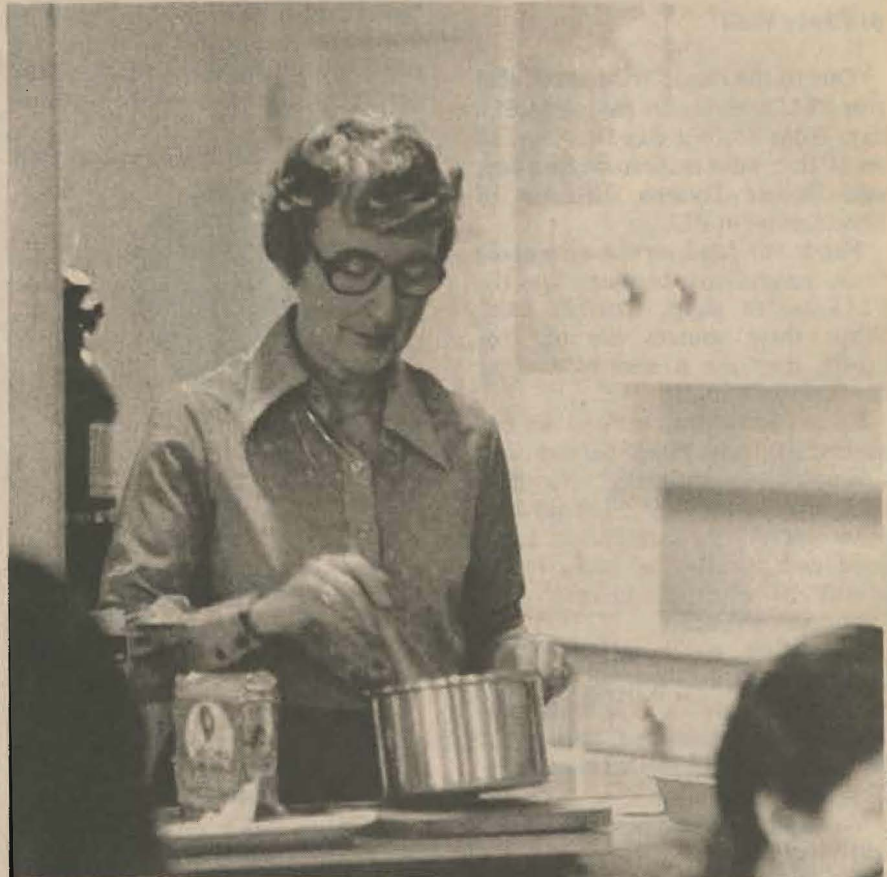
People began filtering in through the tall wooden doors of the old church. The wooden floor connecting with heels added to the noise. As each person arrived more conversation began to circulate through the room. At the same time Bishop carefully measured and stirred the dry ingredients, and told of short cuts to take when cooking.

While mixing the granola brownies she recited shopping tips. One tip, she said, was to buy nuts in bulk because it is more economical. She also pointed out that she was using large eggs. "Even though they're six cents more, value is important," said Bishop.

Everyone chatted among themselves and occasionally asked questions. Everything from the best buys at the market to special savings was discussed.

At this point in the program Bishop baked the brownies and cut up the onions, which were now sauteing in the frying pan waiting for the main course—liver.

Bishop said, "Nutritious food can also be prepared to taste good." Everyone put on their "grin and bear it" smile, trying to hold their stomachs to a minimum churn while



Susan Anderson

Betty Bishop from Clover Park Technical Institute advises on nutritional and economical meals.

Bishop sliced the liver.

Bishop continued, discussing a "three bite policy" they have in their family. Before you say "no" to a new type of food or something you don't like, Bishop requires her family to try at least three bites. There was no way out of it: we all knew the three-bite policy applied especially to us because we were the guests.

Bishop said that if kids were exposed to different foods they would learn to love them.

People continued to ask questions. One question asked was how much Betty spent on the meal. To our surprise we learned that she is given \$25 to buy enough food to make a

nutritional meal for 10-20 people. Let me assure you she bought enough liver for an army.

Bishop said that it is economical to buy in quantity. An elderly lady spoke up and said that she lives alone and it is hard to utilize all the food when bought in large quantities. Bishop came back with the idea that two or three friends should buy in bulk and share.

Bishop has many helpful household hints, but she is also cautious about what she puts into foods. She realizes that many of the seniors are careful about the use of salt and sugars. So she uses a low sodium salt and cuts back on sugars

a small dollar

when cooking for them.

Bishop referred to the U.S. Nutritional Sub-Committee of the Senate that suggested people:

- 1) decrease sodium intake
- 2) decrease refined sugars
- 3) eat less red meat
- 4) increase fruits, vegetables and whole grains

"If I had a wish," said Bishop, "I would wish everyone had a freezer (to store food), a microwave oven (for quick and easy nutritional meals) and a 'Seal-A-Meal' (for left-overs)."

Bishop remembered the time her son popped a potato into the microwave for a snack; that convinced her that a microwave is a good thing.

Many of the elderly ladies have their own special way of preparing food but they listened to Bishop and

rather admired her quickness in getting around the kitchen and her openness to share about her family.

We had come to the last dish and time was running late but with some help from the ladies the meal came together.

Rather quickly Bishop ran through some more of her tips before sitting down to eat.

*When eating lettuce it is better to get the dark green leaves because they are more nutritious (buy leaf lettuce or romaine lettuce).

*When cooking food with an acid content like tomatoes in an iron skillet you get iron beneficial to your own body from the skillet (known fact).

*A freezer or refrigerator that is full is cheaper to operate than a half-full refrigerator.

*Depending on what you are going

to use a food for, you might find you can use the cheaper brand (remember to compare).

*Stores have mark-downs continuously during the week and the biggest mark-downs are on Mondays.

*In one container, freeze leftover vegetables and their juice, keep adding to this until full—makes a great soup starter.

*Clean out the vegetable crisper, save celery tops and limp vegies—these add nicely to soups.

*Add nonfat dry milk to whole milk and mix half and half.

*Shop with coupons.

*If you're low budgeted, learn how to make soup.

The group finally broke up and went their own ways but not without getting their three bites! By the way, Teriyaki liver...it's not so bad.



Senior citizens at the Spanapark Senior Center Sample Teriyaki Liver prepared by Betty Bishop.

Housing

Housing industry stumped

Mike Larson

"Ninety-five percent of all first-time home buyers could not afford to be just that," according to the latest Puget Sound Council of Governments Report.

A University Place real estate agent estimated the average cost of a home in the Puget Sound area is \$62,000, a dramatic increase from the \$35,000 price tag just five years ago. Land costs have also skyrocketed, ousting many previously potential home buyers from the housing market.

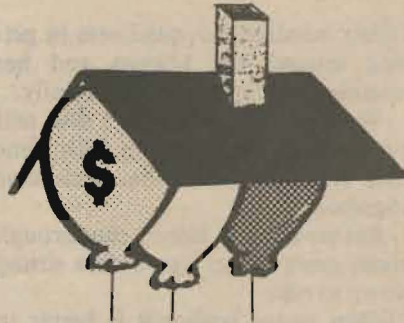
The agent, John Zimmerman, from Astia Realty in University Place, attributes the rise in housing costs mainly to the inflated dollar.

Until four years ago, the ratio between the cost of materials and the cost of labor was 40:60. "Now it's 60:40. This means the cost of labor hasn't kept pace with the cost of materials, per se inflation."

For this reason, Zimmerman said that many people are adding on to their existing homes rather than buying a larger one. "Many people will convert a garage or attic into additional living quarters, like a bedroom or rec(reation) room."

Escalated interest rates also played a significant role in making the affordable house of five years ago unaffordable to many prospective home buyers today. "Before, when interest rates were down at 11 to 11½ percent," Zimmerman said, "the average home buyer could afford the \$45-55,000 home. Now, with interest rates at 14-15 percent and the median home over \$60,000, the monthly payout in interest alone is beyond their capability."

Real estate agents find it particularly important to counsel clients regarding what they can actually afford and what they actually need in a home. Zimmerman called it "the fine art of selling and fitting



a person for a home," explaining that the success or failure of many companies today depends on how proficient that company's sales people are at finding their clients affordable homes.

There are those people, however, whose income is simply not compatible to buying a home at today's prices, Zimmerman said, adding that, for this reason, many are turning to apartment or condominium living.

Dick Pitigliano, manager of Lively Oaks Apartments in Lakewood, said that although the apartment renting business is not "booming," the turnover rate is staying more stable, possibly because of the soaring housing market. "For those who can't afford a house at today's prices, I think apartment living is a good way to get started."

Average rent per month for Tacoma area apartments starts at \$225 for a single room unit and \$275 for a two bedroom unit.

Pitigliano said that inflation is the primary factor in rent raise, explaining that "rent goes up when the cost of maintaining the apartment increases." He cited expenses such as rug shampoos, grounds maintenance, and general repairs.

Condominium living has also become more attractive to people who are outpriced by the housing market. "It's a good start for those that can't afford a house at today's high prices," said Judy Munger, associate broker for the Bluffs Con-

dominiums in Lakewood. She is optimistic about the future of the condominium industry, and said, "We feel that condominium living is going to be one of the major housing industries in the next couple of years."

One of the most obvious advantages to condominium living, Munger explained, is cost. Most condominiums, she said, range from approximately \$35,000 to approximately \$80,000, but there are some luxury models that run into the six digit range.

"About half of our buyers are what we call 'empty-nesters', that is, those couples in their 40's and 50's whose kids are grown up and have moved out. The other half is mainly young couples," Munger said.

Probably hardest hit by high interest rates are the builders and contractors.

Pat Adams, general contractor of Adams Construction in Tacoma, said that the high interest rates are hurting many builders. "It's really hard to cope. You get four or five houses built, you figure they're going to sell, then all at once the interest rate goes up and the bottom falls out. You lose the sale and you're sitting there paying interest on five houses. It's a killer."

Adams said, "There are too many people out of work and too many people going bankrupt," adding that "something is definitely going to have to happen to save the housing market."

What changes can one expect from the housing market in the coming months? "Right now I think everyone is simply waiting," said Zimmermann, "a lot depends on what President Reagan does, and what happens with the interest rates." Zimmermann added that the federal government should stay out of trying to control the money market, and practice "good old laissez faire."

Mobile homes move in

By Mike Larson

Twenty-five percent of all new residential units in the state of Washington are manufactured homes, a less expensive alternative in today's housing market.

The above statistic and much of the information cited in this article is from the May 1980 Puget Sound Council of Government's Report of Manufactured Housing in the Central Puget Sound Area.

There are two primary types of factory-built homes; either mobile or modular can be purchased.

Mobile homes are defined as at least eight feet in width, and at least 32 feet long. Most mobile homes come fully carpeted, with drapery and other accessories such as kitchen appliances. Some include furniture. These homes are completed at the factory on a permanent chassis, then delivered to the home site and connected to utilities.

Modular homes are usually built in two or more finished sections at the factory, and then are connected at the home site. Many of these homes come partially furnished. Modular homes must meet the uniform building code, and are always set on a permanent foundation.

Mobile homes are not required to meet the uniform building code, nor are they required to sit on a permanent foundation.

Mack Elliott of Puget Mobilex Inc., a manufactured housing dealer in Tacoma, feels that the main reason for the manufactured house's popularity is cost.

"The cost of manufactured homes today is consistently \$20 to \$25 per square foot cheaper than conventional stick-built homes," Elliott said. This means that a 1700 square-foot, "stick-built" house may cost \$72,000; a manufactured home with the same square footage "will be about \$38,000," said Elliott. The

\$38,000 price tag does not include land on which to put the manufactured home, but "there is still a considerable difference in cost," he said.

Another advantage to manufactured homes, according to Elliott, is their low maintenance features. Mobile home parks are often already landscaped, and manufactured

Elliott sees in manufactured housing is their "rambler style" appearance and that they are still unfashionable.

He pointed out, however, that "as the double-wide manufactured home came out and started looking more and more like a regular house, people began to accept them more."

Young couples aged 20 to 29 and



Mobile Manor in Tacoma.

homes are also very energy efficient.

"Heating costs alone for an average family of four in a 1250 square foot unit are about \$12.48 a month," said Elliott. There aren't any conventional homes that approach that, he added. He cited such features as 2" x 6" sidewalls, and floor. "They're also sealed up much tighter than a conventional home," he said.

The main disadvantages that

retirees aged 65 to 74 are currently the primary manufactured home buyers in the United States. It is estimated that before 1985 these two segments of the population will grow

faster than the total population of the United States, meaning there should be an increase in the number of households that need moderate-cost housing such as manufactured homes.

Transportation

Mass transit — efficient, inexpensive

By Cindy Wolf

"It's the cheapest transportation around. Where can you go for 25 cents?" was what Janet Ash, Marketing Manager for Pierce Transit, said about transportation in Pierce County.

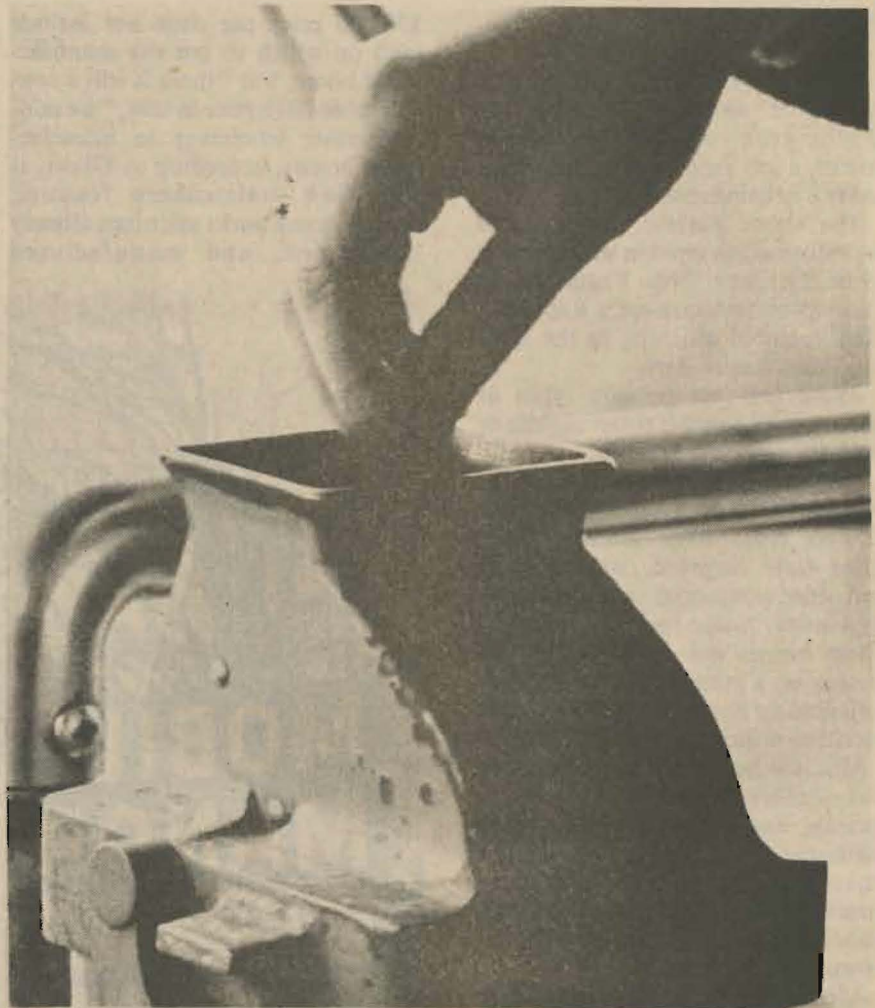
Ash said that Pierce Transit offers the lowest fares on the West Coast, and has had their 25 cent regular fare for 20 years.

She said that Pierce Transit uses their fleet of 175 buses to "deal with a continuous and evolving area," adding that Pierce Transit tries to help keep up with the public.

Some of the features that Pierce Transit is adding, Ash said, are the Transit Centers and schedule outlets. These features are still being perfected and are changing with the area as needed, said Ash.

Transit Centers are where several bus routes meet, making passenger transfers convenient and comfortable, by providing covered shelters and minimum waiting periods.

Schedule outlets are locations around Pierce County where passengers can obtain transit schedules, Ash said, adding that



Mike Larson



Mike Larson

Pierce Transit would like to have one hundred schedule outlets by June. She said that they now have 35 outlets, including the U.C. information desk at P.L.U.

Ash said that Pierce Transit is committed to help the elderly and disabled by adopting a long range plan to install hydraulic lifts into the older buses.

Pierce Transit has 33 of the new "Grumman Flexible buses" that have lifts, but the 33 buses can't service all of the routes, said Ash. Ash also went on to explain that the buses have been found with manufacture

problems such as cracked frames. She said that New York City has had some bad accidents because of the problems, and that Pierce Transit was keeping a close watch on their buses.

A week and a half after Ash said this, Pierce Transit said that they had pulled one-third of their Grumman buses due to manufacture problems. They are trying to set up a deal with Seattle's Metro to borrow some buses so they won't have to stop any service.

Ash said that Pierce Transit also offers a shuttle service to those disabled people who need transport-

transportation

tation and absolutely can't get to a bus route.

Another featured benefit to the Pierce Transit passenger is the availability of monthly passes. Student passes are eight dollars a month, a local regular fared pass is ten dollars a month, a sticker for local service to the elderly and

disabled is \$2.50 a month, and an Inter-County Express pass is \$25 a month, Ash said.

The Express, Ash said, the only out-of-county service that Pierce Transit offers, goes to the Park-and-Ride at Federal Way so passengers can make a transfer to Seattle's Metro service. If a passenger would

like to take the Express as a day excursion, it will cost the regular 25 cent fare plus a 75 cent inter-county fare.

Ash said that Pierce Transit is committed to citizen participation and asks people to come and speak up.

Bus riders depend on transit

By Cindy Wolf

"Yes! What would we do without 'em," was the reply of one elderly couple when asked if Pierce Transit was a benefit to them.

The couple has never driven, and have relied on the bus service for transportation.

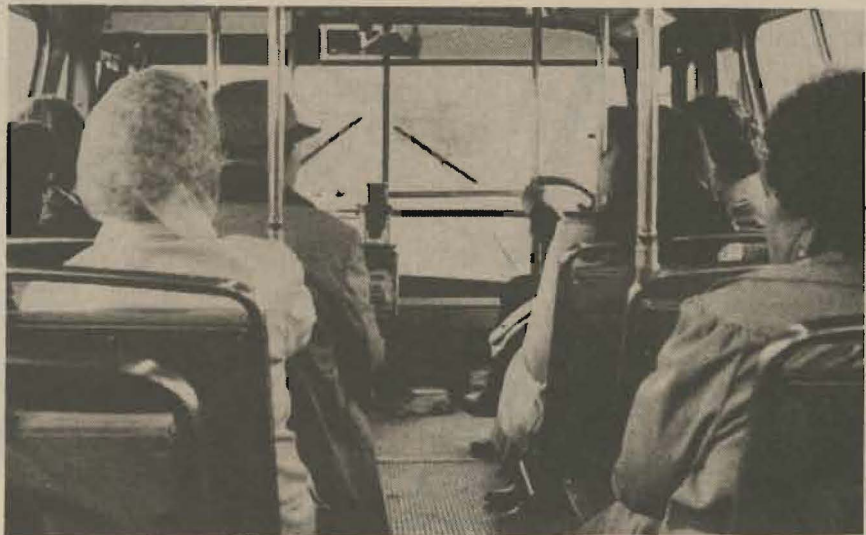
There are "more buses available and more places to go," the woman said, adding that she and her husband usually have an errand to run every day, but if not, they may hop a bus just to get out of the house.

Their errand that day was to a local delicatessen to buy their son a sandwich.

They agreed with other senior citizens that the older buses were more comfortable than the new Grummar buses.

One senior lady said that she disliked the new buses because they bounce and jerk, giving her a headache. She said that she just recently had to start relying on the bus, because she couldn't drive any more. At first, she said, she couldn't stand the bus ride, but now says, "I really feel easy with them."

Helen Pruett, a senior citizen who



Pierce Transit patrons

rides the bus three or four times a week, said that she thinks the bus system is improving, and service is "better than it was."

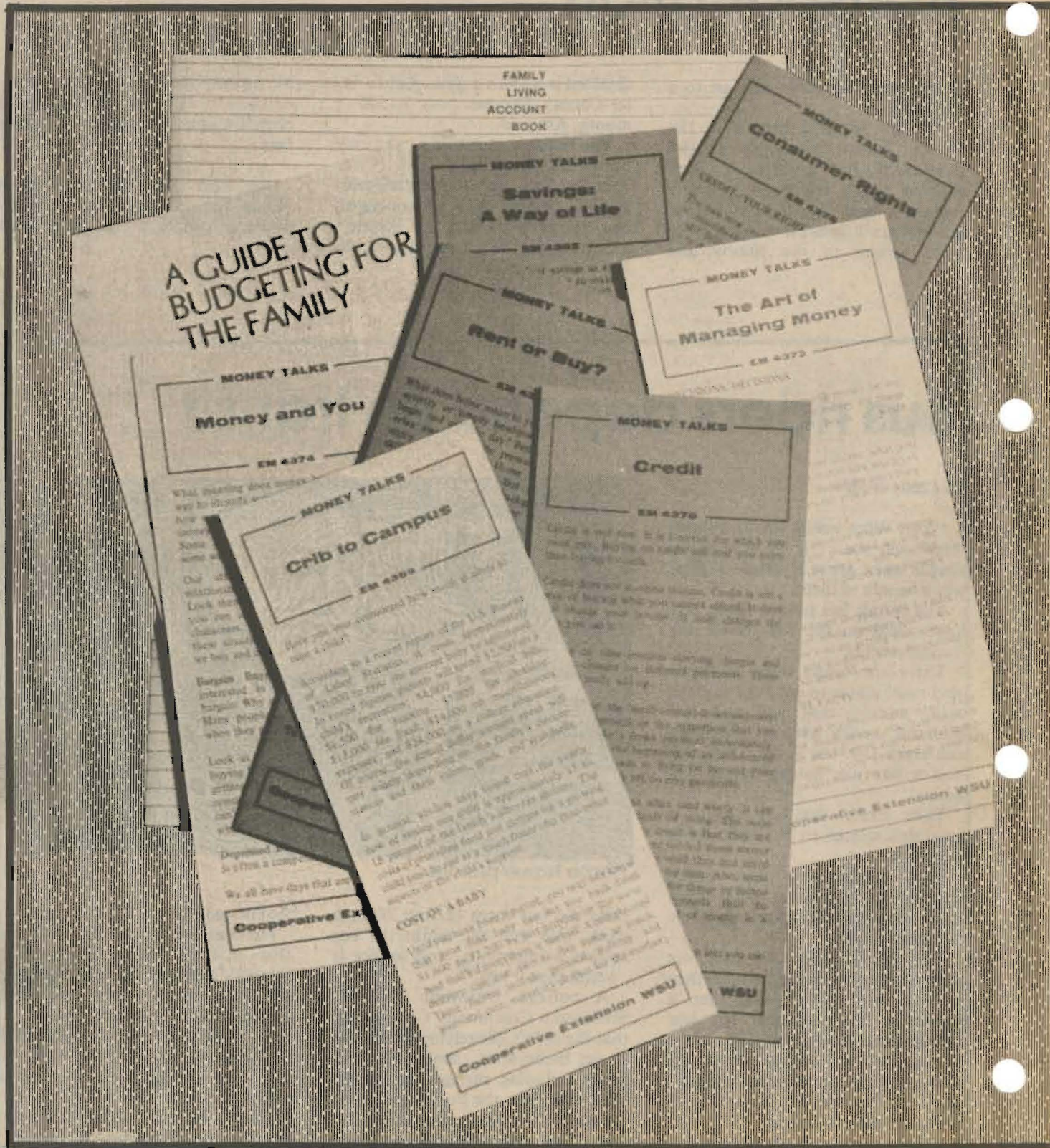
A college freshman at Fort Steilacoom Community College said that she didn't like relying on the bus to get home after classes. Her trip home including changes and a two mile walk after the bus drops her at the end of the line, takes about 2½ hours. She said that she doesn't find

the bus convenient to her home.

Her feelings about the new buses also differed from the senior citizens'. She said that she liked the new buses because they were more comfortable and roomier.

A 17-year-old senior from Lincoln High School said that she likes the bus, even though she uses it as a school bus. "I like to watch the people," she said, adding that she also likes to ride the bus just for fun.

Finance



A GUIDE TO BUDGETING FOR THE FAMILY

MONEY TALKS
Money and You

EM 4374

What happens when money is tight? How do you manage your money? Some people have a hard time doing this. Do you know what to do? Look for some ideas that will help you and your children. These ideas will help you and your family.

Depressed? Is it from a company? We all have days that are...

Cooperative Extension WSU

FAMILY LIVING ACCOUNT BOOK

MONEY TALKS Savings: A Way of Life

EM 4338

MONEY TALKS Rent or Buy?

EM 4342

MONEY TALKS The Art of Managing Money

EM 4373

MONEY TALKS

Credit

EM 4376

MONEY TALKS Crib to Campus

EM 4368

Have you ever wondered how much it costs to raise a child? According to a recent report of the U.S. Bureau of Labor Statistics, it costs approximately \$17,000 to raise a child from birth to age 17. In some states, it costs \$12,000 to \$15,000. This is a lot of money. How can you save money? Here are some ideas that will help you and your family.

COST OF A BABY

How much does it cost to raise a child? The cost of a baby is a lot of money. It costs about \$12,000 to \$15,000 to raise a child from birth to age 17. This is a lot of money. How can you save money? Here are some ideas that will help you and your family.

Cooperative Extension WSU

Cooperative Extension WSU

WSU

Finance

Credit spending adds to inflation

By Cindy Wolf

Inflation could end tomorrow if people would quit trying to beat it, according to Joanne Ross, a county agent from the County Annex in Tacoma.

Ross said that people try to buy goods before the prices increase, which prompts credit buying which, in turn, adds to the increasing price.

An example Ross gave was buying carpet. Carpet she may want now could be expensive at \$3 a yard, but will be more expensive next year at \$5 a yard. So instead of paying more next year, there would be a tendency to buy the carpet now.

Ross said that sort of buying habit gets people into credit spending and credit spending is another factor to inflation. Credit spending is borrowing from the creditor. When credit is used, the creditor has to increase inventory prices to cover the credit that was loaned, Ross said.

Ross compared credit cards with Las Vegas gambling. She said, "The first nickel comes hard and the next nickel comes easier, and the third is easier yet."

Ross said the County Annex gives sound advice on credit by helping people learn how to budget.

Ross said the hardest part of budgeting is getting people to write out their income and expenses. "We try to get people to do record keeping," said Ross.

People get big credit bills from small items, Ross said, explaining that people will buy \$30 worth on credit and pay ten dollars. Then they will turn around and credit another \$20. Ross said that when the bill comes, people are amazed at how high it is.

The County Annex doesn't do individual counseling or tell people what to do, Ross said, but county agents help people spend their money wisely by getting them to compare

pros and cons—for instance in buying versus renting. Ross said they let people make their own decisions.

Consumer Credit Counseling Service (CCCS), on the other hand, is an agency that offers free services for budget counseling, to help people out of credit traps.

Millie Simonson, executive director of CCCS, said it isn't the credit that is so bad, but the mismanagement of credit spending.

"Credit always costs money,"



Joanne Ross

Simonson said, adding that credit creeps up on you and pretty soon explodes.

CCCS has helped return more than \$6 million to creditors and the community by helping people pay their bills, Simonson said.

Barbara L. Crask, a counselor at CCCS said, "Budgeting is your money working for you, rather than you working for your money," Crask tells people to help them learn and accept budgeting ideas.

Crask said that people feel budgeting is confining, and don't want to change lifestyles to fit a budget.

"It's my opinion you have to

make a start somewhere," Crask said.

Crask said that through suggestions they help people to sustain themselves financially first, then set up a program to help pay their creditors.

CCCS helps clients see what it costs per month to live, rather than cost per year, said Crask.

CCCS uses a simple outline to break down housing, utilities, food, clothing, transportation, medical, child support and care, insurances, union dues, and miscellaneous. Each of these categories is broken down to minute detail, month by month, Crask said.

Crask explained that food includes lunches, milk, pet food, paper, and soap products. Any money spent is written down and budgeted for, said Crask.

Crask said that they help people budget a savings account with a ledger. Instead of dropping one big lump sum into a savings account, Crask said, savings should be broken down as to how much money is going to what.

She said if you deposit \$50, list the money as \$10 to new shoes, \$20 to food, and \$20 to insurance. Crask also said that when you buy new shoes in three months, show that withdrawal of \$20 on the savings ledger, leaving you \$10 budgeted for shoes.

Crask said that they get people to budget, or "to help people help themselves, by using their own funds."

"Be open and honest with me," Crask encourages her clients. CCCS has to know all a person's spending habits to help set up budgets.

Crask said that CCCS does not exist to help people improve their mode of living or duck creditors, but that their purpose is to help people get out of financial trouble by paying their creditors.

Business

Inflation helps "luxury" business —

Wysocky

Surviving with a small business is tough anytime. During times of inflation and economic hardship it's even harder. But CJ's (The Clip Joint Salon) in Graham is not only doing well in spite of the hard times, but owners Wally and Harriott Balmer think it's doing well because of it.

CJ's is a cosmetology center, offering hair care, make-up, facials and accessories to go with them. These services are usually considered luxuries, but as Balmer says, "A cut, perm, style and facial may be a luxury for a house wife, but for today's business woman it is just as important as her clothes or her office. For her it is a necessity."

Mr. Balmer keeps statistics on the business and notes, "People actually spend more on themselves and on their appearance during times when money is tight, and low income families spend more per person for haircuts than do higher income families."

Mrs. Balmer said that people want to create the illusion that they are not feeling the crunch. "Really, all the periods of high fashion in this country have been during times of economic stress. During the affluent 60s, no one wore make-up, and there was no style to speak of. People didn't need to create that illusion then," she said.

The Balmers went into business for themselves during the gas crisis of the mid-1970's, and their emphasis is on quality.

"People will spend a little more money for a quality product or service. They won't even buy a mediocre one," said Balmer. "We don't want to be the lowest priced salon around," he said, adding "If we are, something's wrong."

"But, we have to keep our prices somewhat in line and that's getting



The Clip Joint beauty salon in Graham, a home operated business.

difficult to do," Mrs. Balmer said. Mr. Balmer keeps expenses down by buying and repairing used equipment instead of buying new, while Mrs. Balmer does the artwork for their advertising. Many of the hair ornaments used by the salon are handmade and the Balmers grow flowers for summer hair designs in their backyard garden.

"The business may not be growing, but it is maintaining itself very well," said Mr. Balmer. "We have an advantage over chain salons or franchise shops in that we can be much more flexible. If someone really wants a haircut but doesn't have the money, well, we're willing to dicker for a couple dozen homemade rolls, or some firewood or whatever," he said.

"You just don't see things like that happen at the Tacoma Mall," Mrs. Balmer added.

Mr. Balmer sees the current trend of salons moving toward franchises.

"What cost me \$1,000 in the mid-70s will cost someone \$3,000 today. Most people just can't afford the initial cost of starting their own

business," he said.

Mrs. Balmer explained that "five or six years ago a perm cost us 85 cents, now we're paying \$5 or \$6. Hair color could be bought for 65 cents then, compared with \$2 today."

The Balmers don't keep as much inventory in the salon as they used to. Only top-of-the-line products are used, they said, and there isn't an overabundance.

"The only way we can build up credibility is through our products and our services," Mr. Balmer said. "Without that, we're nothing."

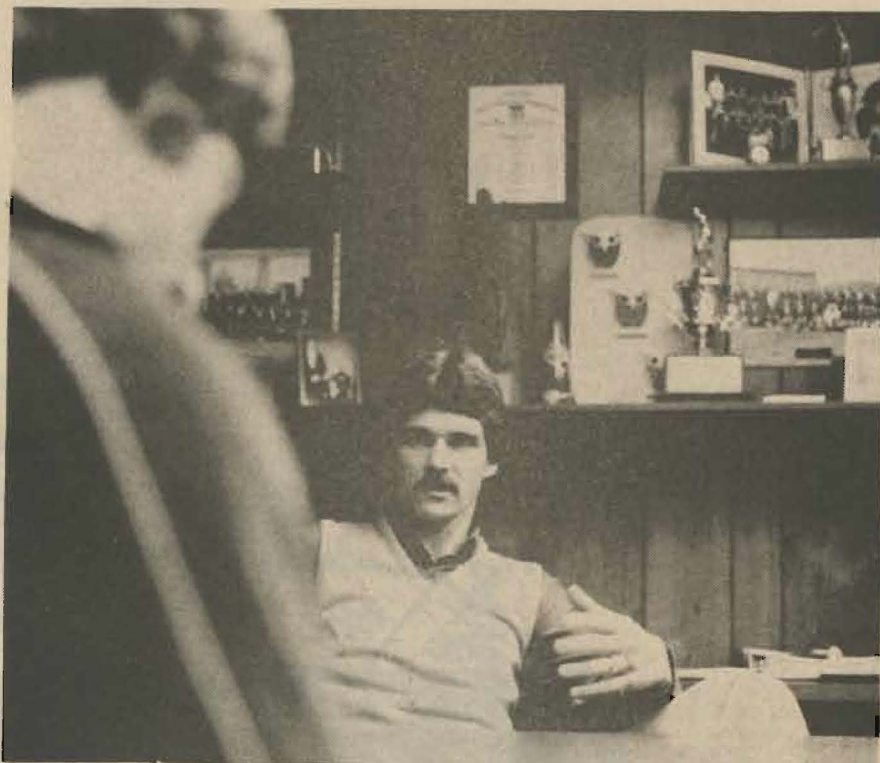
As for the future? It looks pretty good for the Clip Joint Salon, according to the Balmers.

The salon has plans for packaging and labeling its own products, which will avoid the middle man markup—a saving it can pass on to its customers.

Mr. Balmer added: "Gas prices have forced people to shop locally. We're in a good location and in a growing community. This business really is an investment for the future."

Business

people buy an image



Mike Larson

Clint Names of Scott's Athletic Supply said his business is good in hard times because recreation is cheap.

By Craig Koessler

Despite inflation, high interest rates and overall economic distress, Clint Names, part owner and purchasing agent for Scott's Athletic Equipment, Inc., said he feels his business will stay good. "It will always be good in hard times because it (athletic recreation) is cheap."

Names said that business at Scott's has leveled off in the last year. The store experienced its first "down month" in 13 years last year. However, he attributed the leveling off more to an increase in competition than to the inflation rate.

But rising costs have had a considerable effect on the operation of his business, Names said. "Business may be good, but the cash flow is

poor," he said. It costs more to replace the goods that are sold, Names continued, and a poor cash flow leads to borrowing. "The interest rate is so high, and that's what hurts," he said.

Names said he tries to combat the cash shortage by tightening credit and eliminating existing individual accounts. He also encourages the use of bank cards. "It's as good as cash, and it's a lot cheaper than billing someone."

Names said he also keeps a lower supply of goods on hand during economic hard times. "We have to weed out slow-moving goods, and that takes time. We don't have a computer system. We rely on experience."

Scott's is basically a team and school supplier and is relatively new

to retail business. Names said he did not foresee any changes in the type of business Scott's does. "We'll stay in the schools and teams and deal with top quality athletic equipment," he said.

Names added that there would not be a change in marketing strategy either. The store's profit margin in order to sell a larger quantity of goods, he said, "We'll sell less and make a higher profit. If we cut our profit margin and compete with discount stores on a volume level, we're going to be in trouble."

A low profit margin would bring the same trouble as the poor cash flow does, explained Names—not enough money to replace the goods sold. "When times are tough, I think it's more important to make a profit on what you sell."

Names said that inflation has altered his business practices in some areas, such as the number of people he hires. However, he did hire another full-time bookkeeper to help with the "horrendous" amount of record keeping. The cost of meeting various government regulations such as state tax collections is a big expense that is passed on to the consumer, Names said.

But Names is not allowing the rising cost of energy to affect the energy use in his store. He said he does not comply with the federal room temperature standard of 65 degrees, but he has had some diffusers installed to provide more efficient airflow throughout the building.

Names added that there would not be a change in marketing strategy either. Rather than cut the store's profit margin in order to sell a larger quantity of goods, he said, "We'll sell less and make a higher profit. If we cut our profit margin and compete with discount stores on a volume level, we're going to be in trouble."

Inflation

More to inflation than government

By David Arbaugh

The question of who is at fault for the high inflation rates that we are experiencing is not easily answered because there are as many factors behind inflation as there are facets of the economy.

Just as many citizens place the blame on the government, state lawmakers in Olympia are pointing at the federal government, among other things.

John Van Gorkom, a budget analyst for the Senate Ways and Means Committee, said "Uncle Sam's spending has a hell of an impact" on the states' economic picture.

Democratic Congressman Norm Dicks from Seattle said "flagging" production levels, the wage-price spiral, droughts, the increasing cost of finance for housing, and a federal deficit are all to blame for current inflation.

Dicks said that the nation needs more savings built up.

Dicks feels that the nation needs to be confident, otherwise the problems in the economy could become more serious. He said that the nation should deal with business and prices, and the amount of credit extended.

Oil is a primary cause of inflation, Dicks said, but not the only cause.

Senator Jim McDermott, Chairman of the Senate Ways and Means Committee and former gubernatorial candidate, said that problems with the economy now are to a large extent caused because people haven't come to grips with economic trends, especially at the international level.

McDermott blames oil in large part. He cited statistics indicating that oil has risen from \$3.00 per barrel in 1973 to over \$30.00 per barrel now.

The idea of oil being one of the key causes of inflation was backed up by Fred Adair, a research



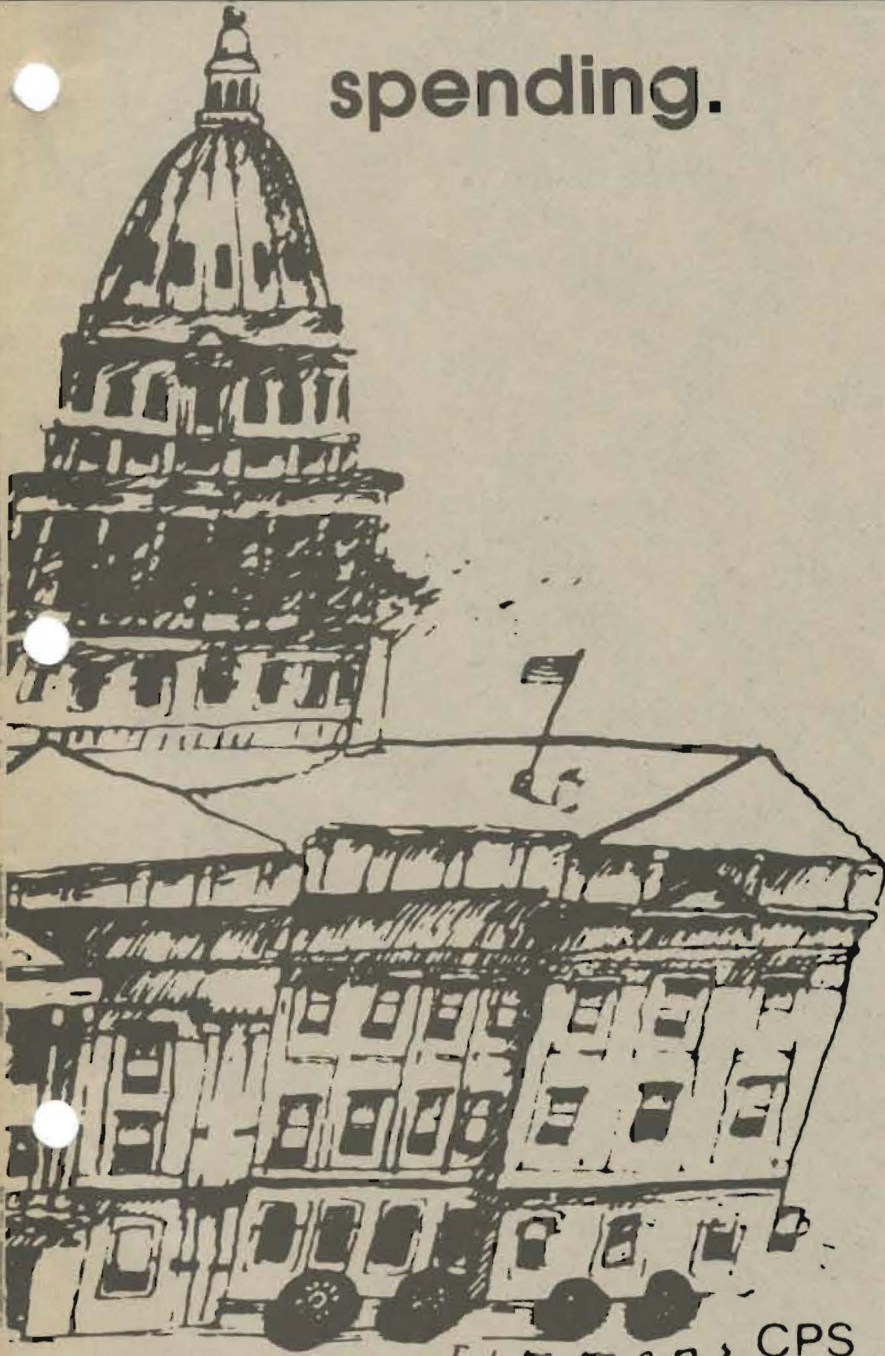
analyst for the House Energy and Utilities Committee. Adair also said that because inflation and energy prices are so closely linked, inflation will drive the cost of any energy resources up.

According to Susan Hosch, another House Energy and Utilities committee research analyst, Shell Oil recently advised the state of

Washington that it predicts the cost of oil will rise three percent per year above the inflation rate. The inflation rate they are using averages between seven and seven and a half percent for the next decade.

Representative Simeon "Sim" R. Wilson, the Republican Chairman of the House Transportation Committee, said that inflation is dramatic in transportation, due to the high oil

spending.



prices.

Senator Hal Zimmerman, a long time Republican legislator from southwest Washington said that there are four ways the government can directly affect the rate of inflation. These government "drivers" of inflation are increasing salaries not relative to production, a pension program weakened because of its loopholes, an inaccurate indicator of

inflation with the Consumer Price Index, and the Federal Reserve Board's management of the money supply.

When the salaries of government or private sector workers are increased, but production has not, then more money is in the economy chasing the same amount of goods and services. This is inflationary, ac-

ording to Zimmerman.

Zimmerman attacked the pension program of the federal government saying that because of a loose definition of disability, an individual could retire early, get full disability payments, yet still find other work full time.

The Consumer Price Index (CPI), used as a barometer for the cost of living by the government is inaccurate, according to Zimmerman.

The reason for the inaccuracy is that the CPI includes mortgage payment figures for houses. However, people who are buying a house are paying interest rates according to the contract that they signed when they bought the home; because the interest rates are going up, the CPI assumes that there is an increased cost for every consumer.

Zimmerman said that because of a poorly defined CPI, the inflation rate taken from the CPI was up to two percent higher than it would be without the mortgage rates figured in.

Van Gorkom acknowledged that the CPI did have its problems, and said that it was used so often by the press simply because it was the easiest indicator of explain. He said that the Implicit Price Deflator is "considered to be a much more accurate measure of inflation."

Unlike the CPI, the Implicit Price Deflator assumes change. The market basket taken for the CPI is only taken every 10 years and is not always accurate, said Van Gorkom.

An example that Van Gorkom used was fuel. The CPI would assume that even though the price of fuel continued to rise, people would drive just as much. The Implicit Price Deflator would account for reduced fuel consumption due to a rise in the price of fuel. This would be a more accurate indicator of the rate of inflation, said Van Gorkom.

