

marketplace

THE WESTERN Wayne Oakland County Board of Realtors will conduct a series of free educational seminars for potential house buyers at 7:30 a.m. Oct. 14 at the Livonia City Hall, Farmington at Five Mile roads. Reservations are required. How much house can one buy, how to get a mortgage loan, what type is best, how much is needed for a downpayment and where to buy are some of the areas to be covered. The two-hour seminars are designed around a panel of experts, who spend the first hour discussing key points from home affordability to the role of the attorney in real estate transactions. The second hour is devoted to responding to both written and oral questions. A free kit will be provided. Call 478-1700 for more details.

JOHN L. Sterling and David McDonald have formed Sterling/McDonald Associates Inc. of Bloomfield Hills to represent the publishers of consumer publications.

STANDARD Federal Savings has opened a new branch office at 6120 Maple in West Bloomfield near Farmington Road. The branch, which has operated out of a temporary facility since December, offers a full range of saving programs and mortgage services. Jack Pattwood is branch manager.

BORG—Warner, with offices in Troy, reported its fifth consecutive annual increase in quarterly dividends from \$7.5 cents to 82 cents per share payable Nov. 15 to shareholders of record Oct. 17.

HOW CAN a small business sell securities to the public? What are the advantages and disadvantages of going public? Are there ways to legally sell securities without registering with the SEC? What are a public company's disclosure obligations? These are some of the questions answered in a new brochure, Q&A: Small Business and the SEC, prepared by the Securities and Exchange Commission in cooperation with the Small Business Administration. Copies of the brochure may be obtained by writing to the Consumer Information Center, Pueblo, Colo. 81009.

DETROIT BANK & Trust will apply to the Small Business Administration in October for a license to form a small business investment company. If approved, the DBT Capital Corp. will begin operation in the spring. It will provide equity capital and long-term financing to small firms for new product development, expansion and modernization and stock buyouts. Headquarters will be in the DBAT Building in downtown Detroit.

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Fighting inflation

What's cure to economy woes?

Editor's Note: John Fisher is chairman of the National Association of Manufacturers.

By JOHN FISHER

Staggering increases both in the cost of living and in the inflation rate have led to a feeling of hopelessness on the economic scene.

Once we understand the symptoms, the problems, though still difficult and complex, seem resolvable and remedies begin to appear.

Both the cost of living and the rate of inflation have risen so rapidly that U.S. citizens, and economists as well, have begun to confuse the two. When the same bag of groceries that cost you \$10 in 1967 totals \$22 today, the distinction — between increases in the cost of living and increases in the inflation rate — may not seem important. But if we are ever to get both under control, we must first see clearly what they are.

The Consumer Price Index measures the rise in prices by weighing increases and decreases in the prices of products and services which Americans use.

The index is influenced by such elements as increased costs of imported oil, higher prices for farm products (which may well have been caused by bad weather and resulting poor crop yields), and installation of required pollution controls (control devices increase the cost of products by requiring production steps that do not increase productivity and may well reduce it).

On the other hand, inflation in its

real meaning measures the decline in the value of the dollar. The same groceries that used to cost \$10 now cost \$12 or more.

THE DOLLAR declines in value for several reasons, most notably excessive spending by the federal government.

When the government spends more dollars than taxes bring in, it pays for its excesses in either of two ways — deficit spending or higher taxes.

Higher taxes take money away from individuals and business, money that might otherwise be spent by businesses to produce better goods and provide jobs for American citizens, or by consumers to purchase products and services they want and need.

Deficit spending requires borrowing from the private sector which dries up potential investment funds, creating further difficulties for businesses that must borrow to modernize equipment or build facilities.

Deficits can also be covered by creating new money — printing press money — which in its purest sense is inflation. Printing press money adds

dollars to the economy without providing a real increase in economic goods.

When the government spends more money than it takes in, everybody's money is worth less.

BUSINESS MUST compete with the government for dollars. It needs to modernize factories, create jobs and improve working conditions.

The federal government has balanced its budget only once since 1960.

Anybody who has a family budget realizes that this situation makes no sense. America simply can't afford to have everything — as individuals or as a nation. Controlling federal spending will require a clearer view of priorities so that only the most important programs are funded.

Families do this every day — sending a son or daughter to college may mean giving up more than one vacation or more than one major purchase.

Legislation should limit federal spending to 20 percent of the economy's output of goods and services. Clearly the first step in controlling inflation is controlling federal govern-

ment spending since that's the cause of much of the inflation.

INCREASED PRODUCTIVITY, the measure of goods and services produced by the hour or day or month, will help us contain both inflation and the rising cost of living by providing more goods and services for each dollar spent in wages and investment.

Traditionally productivity has grown by about 3 percent per year in this country. Last year, productivity actually declined. At the same time, wages increased to attempt to keep pace with the increasing cost of living.

If productivity does not also increase, such wage increases fuel inflation in much the same way that deficit government spending does — they equate more dollars with the same amount of goods and services.

Many people believe that increased productivity means a faster, factory production line or just plain working harder. And sometimes this is true — a quicker production line would increase productivity, all things being equal.

We can increase productivity by applying ingenuity to the work process, by making work flow more smoothly and more quickly.

IF WE'VE learned anything from the lesson of the past several years, it is that America must take both long- and short-term action to solve increasingly complex problems.

But first we must all understand the factors that contribute to our economic miseries.

trends

This column offers business leaders an opportunity to express views and concerns on the business environment. Persons wishing to submit an article for consideration should contact Ron Garbinski at the Observer & Eccentric by calling 644-1100.

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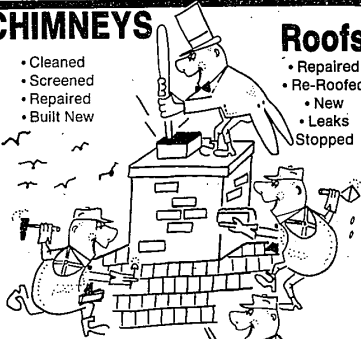
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