

The Multiplier Effect

By George Porter

In case you are not familiar with the multiplier effect, it is a term used in the financial world to describe what happens when money is introduced into an economy. If for instance you spend a dollar for donuts in your hometown the town will seem at first to be \$1.00 richer. You have only put one dollar in the local economy but after the donut guy receives the money he then spends \$.50 on sugar and \$.50 on flour to make more donuts. The sugar store spends \$.25 on office supplies to keep the books and \$.25 on the electric bill. The office supply spends some of the \$.25 for gas for their delivery van and so on until the dollar has spread itself out so much in so many places that it leaves no more tracks. When economists measure the worth of an additional amount of money in an economic system they use a multiplier effect because so many people can spend the same dollar. It is as though \$1 can become \$7 or maybe even \$15 depending on how the system uses its money.

The same can apply to people and services. You will recall last month that you were told about the new course on Manufactured Housing and Repair being taught at Somerset Community College and Kentucky Tech in Somerset, Kentucky. It has been put to an additional use that promises to dramatically change the way that manufactured homes in Kentucky are inspected.

The state has had installation regulation for many years and the system works very well except for one major area. The Fire Marshall's Office, which is the regulating authority in the state, has only five or sometimes six inspectors. Last year the industry in the state sold over 13,500 new homes and a lot more used ones. In order for the inspectors to check every installation each inspector would have to check at least 28 homes a day, every day, five days a week for 52 weeks a year! This is impossible. Kentucky has wisely chosen not to solve the problem by just authorizing local county or town building inspectors to do the inspections in their region. They want the homes inspected by someone who knows exactly what they are looking at and is trained and experienced in our type housing. In their mind having it done by an inspector who doesn't know what he is looking at is worse than no inspection at all.

Kentucky has a fine program of training and regulation. The vast majority of dealers and installers in the state have little to no problem with these regulations as long as everyone has to follow them. Here is the problem, very few of the homes setup in Kentucky are ever inspected and if you chose not to follow the rules it might be quite a while before you are discovered. They need more inspectors but they need them well informed and knowledgeable on Manufactured Housing.

Charles Wiley at the Fire Marshals Office came up with what may be the solution. What if experienced people in the industry took the training course at Somerset Community College and Kentucky Tech? They would all be exposed to the same standard and became qualified to apply for a new Third Party Inspectors License. Then the five or six state employees could oversee and regulate the workings of several inspection companies around the state. The state would not need a larger budget or more staff and the industry and the citizens would be served by people who were qualified. Not many inspectors in the nation have ever setup even one home and with this program in Kentucky you can't be an inspector unless you have actually done the work before,

probably for many years. This promises to combine the law with practical experience and judgment, it sounds like a good idea to me.

If we apply the multiplier effect, one state inspector can become maybe 10 local third party inspectors. One of the new inspectors can cover the work of perhaps 10 setup crews. With six original state people the system now contains 600 people who are directly concerned with following the laws of Kentucky. The numbers will expand or shrink to fit the market and many third party inspectors will only do inspecting as a sideline to their regular job, but it is a system that holds much promise and it will be interesting to see how it develops. Good Luck Kentucky!