

the HERALD Outlook

Many young families can't afford houses



**Your
Business**
Diane Maley
Thomson News Service

Housing is the foundation of our social fabric. The family farm, the family home, we view as a birthright.

Most people in Canada own their own homes and most of those who do have little or no mortgage debt. Behind this comfortable picture, though, trouble is brewing. In a few years, we could face a social crisis so severe that it will shake our faith in the economic system.

A growing proportion of young families can no longer afford to buy a home. These people will not share the interests of existing homeowners, interests upon which many social policies are based. A two-class system will develop, those with homes and those without. As rents rise in line with the value of housing, homeowners will grow richer and tenants, poorer.

This problem is worrying governments, federal, provincial and municipal. In the past, the federal government has helped in a number of different ways, all of them questionable. In the 1970s, it went into the development business, building low-priced townhouses that people could buy with very little money down.

The result was widespread defaults and a huge inventory of empty houses. Only the speculators benefitted.

WHAT'S AFFORDABLE?

Next the government started financing co-ops and other forms of so-called affordable housing. It's a misleading term: there is no such thing as affordable housing in most parts of Canada and certainly not where governments are involved.

Fortunately, Ottawa is pulling out of these programs.

The concept of co-ops is well-intended. Rather than filling a building with people who need subsidized housing, co-ops offer a third of their space to the needy and the rest to people who pay market rents. This way, the poor are not crowded together in ghettos.

Trouble is, the market rents are substantially lower than the cost of building the unit. So taxpayers must subsidize the poor and not-poor alike.

Take Toronto, for example, where the cry for affordable housing is rising to a deafening pitch. The provincial government has come forward with a plan to build 30,000 units, all of which it must subsidize. The cost of carrying this many units is estimated to be a staggering \$700 million a year.

For the first 18 years, the market rents will not cover the cost of building the units; the subsidized rents will never cover it. To taxpayers who must foot the bill, this is not affordable housing.

Provincial governments soon will run out of money for subsidized housing, dropping the problem back in Ottawa's lap. Federal officials are pondering what to do. One plan would let people buy houses with as little as five per cent of the purchase price down. The Canada Mortgage and Housing Corp. would insure the mortgage against default.

This would help people with big incomes but little savings. Given the big monthly carrying costs, it will leave the new homeowner feeling vulnerable to sudden increases in interest rates.

But if inflation is muted in future, many people could find themselves old and house-poor. Their houses will be paid for, but without their RRSPs, they will have little money in the bank. Clearly the housing crisis is a problem that will not be solved easily.

"OUTLOOK" is published each Saturday by the HALTON HILLS HERALD, Home Newspaper of Halton Hills, A Division of Canadian Newspapers Company Limited, at 45 Guelph Street, Georgetown, Ontario L7G 3Z6.

Second Class Mail - Registered Number 0943.

877-2201 877-8822

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Preppy cattle rancher agonizing over whether to brand cattle with his monogram or coat of arms.

Third World countries deserve a hearing

By VIC PARSONS
Ottawa Bureau
Thomson News Service

It's regrettable that leaders of the seven Western industrial powers did not seize the opportunity in Paris and agree to a conference on Third World problems.

Rather, they decided to turn their backs on a request from leaders of the world's poorer nations for a replay of the so-called North-South meeting held in Mexico some years ago.

(In world-aid jargon, North refers to the wealthier industrial countries, while South means the almost invariably poor countries of Asia, Africa and Latin America.)

To their credit, French President Francois Mitterrand and Canadian Prime Minister Brian Mulroney pushed for a North-South summit. But while others, mainly U.S. President George Bush, support conditional measures that would allow some debt relief to the Third World, they apparently believe a face-to-face session is not worth the trouble.

There are many authorities on Third World economics, however, who would argue that the \$1.3 trillion (U.S.) owed by the world's poorer nations is only a symptom, and not the cause, of the increasing gap between the haves and have-nots. And a North-South summit might allow a forum for discussions on the causes, not merely the results, of the problem.

VIEWS EXPRESSED

Not long ago, some specialists on Third World issues appeared before a Commons committee to offer views on legislation that forgives Canadian government aid loans worth \$670 million to some of the poorest African countries.

Pierre Harrison, a manager of the Canadian Council for International Co-operation, noted that severe declines in commodity prices, such as those for coffee and cocoa, had led to a loss of revenue for countries in sub-Saharan Africa. This had also eroded consumer buying power in those countries.

He gave a stunning example. In 1960, the Ivory Coast had to export three tonnes of bananas to buy a tractor. A decade later, the price

had risen to 10 tonnes. Last year, a tractor was worth 20 tonnes of bananas.

Moreover, Harrison said, between 1970 and 1985, the economies of 25 of the 32 sub-Saharan nations shrank in per capita terms. And, in 1987, the African continent received \$16 billion in development aid from the "North" but transferred \$34 billion in resources to the rich countries. That transfer includes repayments or servicing of the debt.

There is a need for a revision of relations between rich and poor, Harrison said. Worldwide forgiveness of debt will not get to the root of the problem, he argued, if the relationships that cause debts are not dealt with.

Another expert, Roy Culpeper, program director for international finance with the North-South Institute, downplayed the contribution Canada was making to the poor of Africa through debt-forgiveness. Because the \$670 million carries no interest charges and repayment was scheduled over 50 years, the effective cost to Canadian taxpayers - and benefit to Africans - was about one-tenth of the face value of the loans.

In other words, the relief was a welcome gesture, but did little to help Africa. Indeed, if Western nations were to forgive all their government loans to sub-Saharan Africa, it would only relieve a tenth of the total debt.

Debt forgiveness would have a greater impact, Culpeper suggested, if interest-bearing loans made by credit agencies, such as Canada's Export Development Corp., and private banks were made less burdensome.

The banks are owed \$30 billion by African countries. But what worries private bankers, who do not enter the business for the joy of handing out cash to the destitute, is that any move to ease the burden on Africa will have reverberations elsewhere. The biggest "elsewhere" is Latin America, which owes \$300 billion to commercial banks.

Conditions are to be imposed, the Third World deserves a hearing, and a North-South summit would be the place to do it.

Tories' tory objects to column



**Queen's
Park**
Derek Nelson
Thomson News Service

One of the things politicians don't do enough is argue with the people like myself, who comment upon what they say and do.

Thus it was of interest to receive a letter from Progressive Conservative Party strategist John Tory objecting to a column I wrote recently. The column had rejected ideas Tory expressed in a speech to a private school audience.

I suggested Tory wanted the PCs to be just another small liberal party, like Premier David Peterson's big-L Liberals or Bob Rae's New Democrats, and in that case why should anyone bother voting for them?

Tory suggested I "misrepresented" what he was really saying, that he was urging the party not to make a radical turn to left of right.

Three topics from his speech were touched on in the column in a negative way - fiscal prudence, "equal opportunity" programs, and official bilingualism.

"You suggest (wrongly) that my initial point was that the previous PC government was a more prudent fiscal manager than the Liberals.

"My main point, to be found but two paragraphs below, is that fiscal conservatism and an attack on excessive spending, high deficits and a growing public debt are absolutely necessary for the future.

"Last time I checked, (the other parties didn't) share this view. In fact, all of them attacked every attempt at spending and deficit control and call for more and more public spending.

"It was not by accident that I discussed that issue first, as I feel it is of crucial importance to the maintenance of future business confidence and economic growth.

"The emphasis was not, as you suggested, on our past record, which I in fact acknowledge in the speech as being less than perfect.

"My approach to fiscal management is very conservative and I believe lack of sufficient fiscal prudence represents the greatest single economic and social threat at present.

On "equal opportunity" he made this point:

"You suggested that I pleaded for PC support for 'equal opportunity' programs which you characterized as programs which attempt to ensure equal social results among all groups (as opposed to individuals) in society.

"A careful reading of the text shows that I was saying nothing of the kind. I was, in fact, rejecting the notion that 'groups' should be dealt with as such in ensuring equal opportunity (too many people look at it that way in my view) and suggesting instead that we concentrate on ensuring equal opportunity for all individuals, whether they be black or white, male or female, rich or poor."

Space limitations prohibit reprinting all of what Tory wrote, but the above catches the essence.

As much as it was interesting to hear from him, in retrospect, I see no reason to change anything I wrote about a PC Party run by his principles, being a mirror image of the other two parties.

Berry's World



Jim Berry
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"I would think the best way to handle this situation would be with a 'MEASURED RESPONSE.'"