

the HERALD Outlook

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PUBLISHER
David A. Beattie

EDITOR
Brian MacLeod

AD MANAGER
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STAFF WRITERS
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Economist sees lower interest rates and rising global output



Diane Maley
Your Business
Thomson News Service

prices. "The world's debt load has far outrun its collateral," Mr. Shilling says in *The Atlantic*, "whether you're talking about the Third World, farm land, corporations, consumers, everything. It will take a major global recession to force a debt restructuring. But even coming out of the recession there will be a fierce battle for exports - there's a lot of extra capacity coming on line in the developing countries - and a protectionist scramble.

"Governments won't help. Military spending is dropping; Star Wars will turn into Trade Wars. It's hard to foresee a happy resolution even longer-term."

BEGINNING OR END?

That's a grim conclusion, but there is another view. *The Atlantic* traces the, optimist school to Joseph Schumpeter, an Austrian born economist who died in 1950. Mr. Schumpeter identified the boom and bust of business cycles, and saw economic progress interrupted by occasional periods of dislocation.

From this point of view, the past 15 years of economic turmoil are about to usher in a new industrial golden age. The trouble with mainstream economists, Mr. Yardeni says, is that they focus too much on formal macro-economic models. "Most economists don't look much at the real economy," he says.

"It's messy and doesn't translate well to models. But when you stop and look, the case for a long-run boom is almost overwhelming."

Amid earthquakes and financial market upheavals, a ray of hope has appeared in the October issue of *The Atlantic* magazine.

In *The Coming Global Boom*, *The Atlantic* explores the arguments of economic optimists, who take as their prophet Joseph Schumpeter. Readers of this column will be familiar with this theme through one of its better-known proponents, Ed Yardeni, chief economist at Prudential-Bache Securities in New York.

Mr. Yardeni foresees rising global output and falling interest rates, helped by propitious demographic patterns - the aging of the post-war baby-boom generation.

Such a cheery view flies in the face of conventional wisdom. *The Atlantic* notes. Doomsayers, from Ravi Batra to Paul Erdman, as well as many middle-of-the-road economists have been warning of impending recession or collapse.

A. Gary Shilling, a Wall Street economist who has his own advisory firm, believes global recession is imminent, followed by a long period of deflation, or falling

SNAFU® by Bruce Beattie



"This dummy dressed as a mail carrier just might work!"

Researchers close to detecting dioxins in wildlife



Gil Hardy
Ottawa Bureau
Thomson News Service

"The preliminary results show very different amounts of Vitamin A between the two colonies. It indicates that perhaps dioxins and other related compounds are having an impact on metabolism and Vitamin A," Spear said.

CELL GROWTH

The possibility that dioxin affects Vitamin A levels has important consequences for human and animal life. Vitamin A, or retinoid, is vital to cell development and specialization.

If retinoid is proven susceptible to dioxins and other environmental pollutants, it would explain why animals experience lower birthrates and more deformities when exposed to contaminants. It would mean pollution not only kills wildlife but also threatens the very survival of a species, says Dr. Tom Moon, chairman of the University of Ottawa's biology department.

Spear's work may show that cleaning up a polluted environment is too late because dioxins have already affected reproduction, Moon said. "You are not going to get the species back."

Therefore, it's important to detect pollution before entire wildlife colonies are poisoned.

Tests do exist which determine whether wildlife has been contaminated, but they are expensive and time-consuming. That's because there are so many types of dioxins and other toxics that a thorough test takes time, money and specialized equipment.

"What we were looking for was a technology which was less complicated but was a broad indicator of intoxication by these kinds of compounds," said Moon, who supervised Spear's post-doctoral work.

The earlier findings have proved useful to other researchers.

"There are other labs that are starting to measure Vitamin A levels in this regard and I think mainly because of the initial work that Phil did," Moon said.

The research has been funded by a few small federal grants over the years.

A Montreal researcher is close to establishing a biological early-warning system to detect dioxins and other poisons in wildlife, a test that someday may do the same for humans.

Dr. Philip Spear began studying the relationship between toxic poisoning and Vitamin A levels in birds eight years ago while working on his PhD at the University of Ottawa. His work, which could lead to a cheaper, faster method of testing for environmental pollution, began almost by accident.

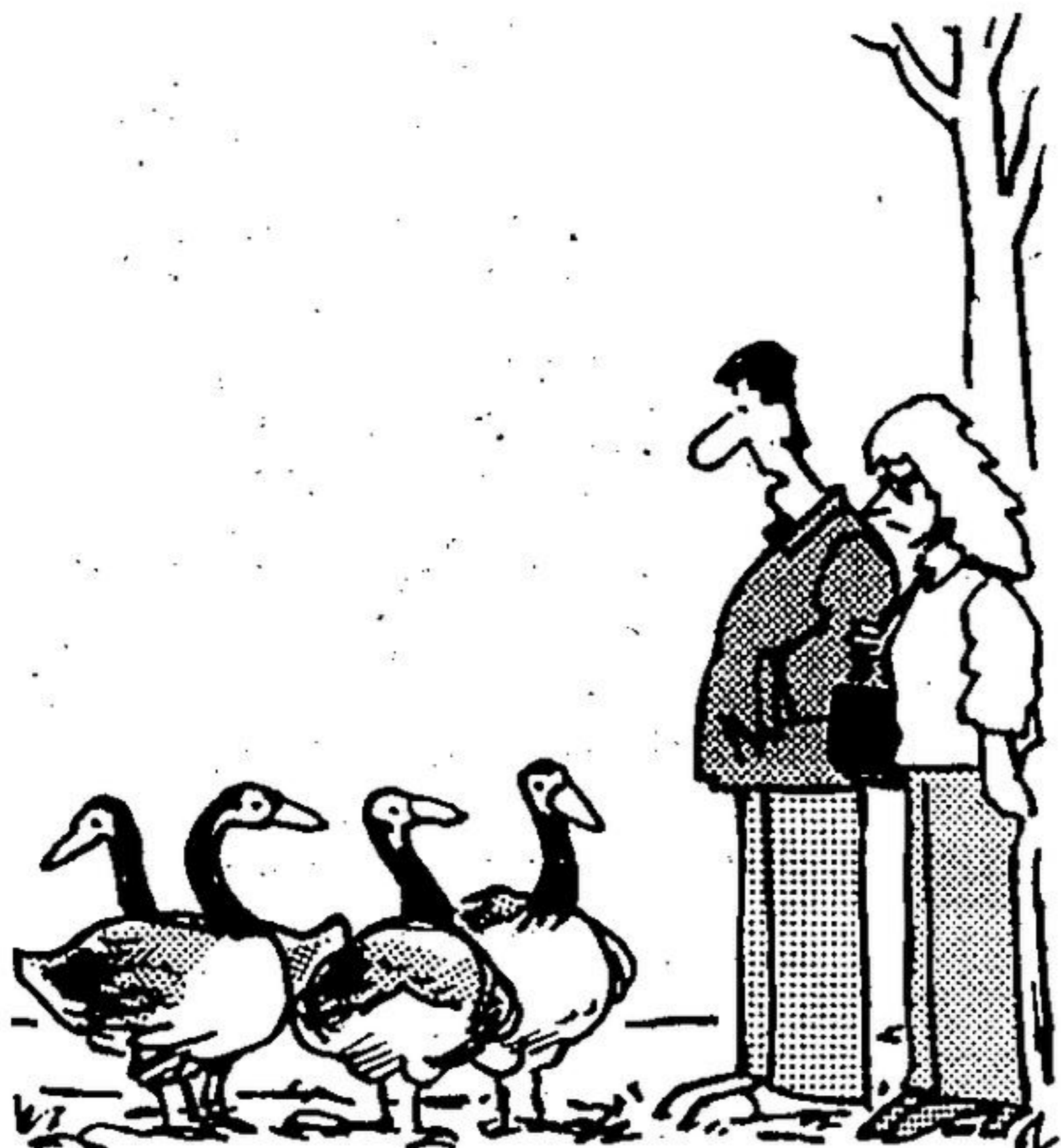
Spear was working in the National Research Council's environmental secretariat when he first noticed similarities in the symptoms caused by dioxin contamination and Vitamin A deficiency.

"Actually, it wasn't part of my job at all," Spear, 39, said in a telephone interview from the University of Quebec at Montreal, where he now teaches. "I got fascinated with the question because I thought we might be able to do quite a bit in explaining dioxin toxicity if we understand how it affects Vitamin A."

Spear noticed in various reports he was reading at the NRC that both dioxin exposure and Vitamin A deficiency produced a skin rash and other similar symptoms. Spear set out to prove scientifically the relation between dioxin and Vitamin A deficiency.

He analyzed eggs from a "heavily contaminated" colony of cormorants in Michigan with those of a low exposure group from Manitoba's Lake Winnipegosis.

Berry's World



Jim Berry
© 1989 by NEA, Inc. 10-B

"They don't migrate anymore, because people feed them and, of course, the air traffic is HORRENDOUS!"

More auto layoffs coming

Vic Parsons
Ottawa Bureau
Thomson News Service



There was a good deal of teeth-gnashing recently when General Motors announced undated plans to halt van production at its plant in Scarborough, Ont., a move that could bump about 2,500 Toronto-area workers from their jobs. GM officials, who have said they are looking for other uses for the Scarborough plant, want to transfer the van line to the U.S. No time frame was set.

There has already been a series of auto industry layoffs. And there will be more layoffs to come, analysts suggest.

There's no question this is a serious matter. One measure of how vital the industry is to Canada is that exports of automotive products accounted for about one-quarter of the \$93 billion worth of goods we sold to foreigners in the first eight months of the year. Automotive products range from finished cars and trucks to sparkplugs and tires.

But opposition critics could be barking up the wrong tree when they bay about the layoffs being a result of the free-trade deal with the United States.

The fact is that industry watchers have been predicting a cyclical downturn in the auto business for some time.

Economist Gilles Rheaume of the Conference Board, for instance, predicted in an interview last fall - when the trade deal seemed doomed - that the industry would be weaker for a couple of years because of a decline in car sales.

His prediction was reiterated earlier this year by auto analyst Dennis DesRosiers, who foresaw a five-per-cent falloff in sales this year and four per cent in 1990 before a revival in 1991.

FORECASTS CONFIRMED

These forecasts have been borne out by this week's automotive trade figures from Statistics Canada.

StatsCan says the decline in Canadian exports of passenger cars in the first half of the year coincides with a 6.7 per cent drop in sales of North American-made automobiles in the U.S.

American sales of models for which there are plants in Canada fell even more sharply, registering a decline of 16 per cent, according to StatsCan.

Moreover, there was a 10-per-cent decline in parts imports. Since 92 per cent of those imported parts go into production of finished vehicles in Canada, that is another indication of a slowdown.

On the other hand, Canada's truck exports in the first six months rose by about 11 per cent. There was a similar rise in export sales of parts and a 27-per-cent rise in exports of tires and tubes.

This gave a net automotive trade surplus of \$1.4 billion with all countries.

In terms of trade with the U.S. only, the surplus in the first half of 1989 was \$2.8 billion, double that of the first six months of last year.

Given this raw data, it would be stretching a point to say that free trade is the cause of a deterioration in Canada's industry.