

the HERALD Outlook

"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.

877-2201

Second Class Mail - Registered Number 0943.

877-8822

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National debt is growing

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Your Business
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Despite the finance minister's efforts, Canada is sinking deeper and deeper in debt. While the budget deficit is slowly falling, the national debt is growing.

In his budget speech last Tuesday, Michael Wilson acknowledged the problem: "The debt is still growing faster than the economy, faster than our ability to pay," Mr. Wilson said. Indeed, interest payments on the debt each year are larger than the annual budget deficit.

The government will pay nearly \$40 billion in interest this year, equal to \$1,500 for every man, woman and child in the country, \$6,000 for a family of four. The deficit, by comparison, will be \$30.5 billion. If it weren't for the \$350 billion in accumulated debt, we would be running a budget surplus.

Each year, the national debt grows by the amount of the budget deficit. Mr. Wilson says he has checked the deficit's growth and begun to shrink it. Five years from now, if all goes well, the government will begin buying back its bonds and treasury bills. This will be the first repayment of principal. Until then, we will have to keep

borrowing to pay interest on the interest on the growing national debt.

TELLING NUMBERS

Consider the numbers. The federal government's budget deficit will be \$30.5 billion for the fiscal year ending March 31, 1990. Next year, it will be \$28.5 billion, Mr. Wilson predicts.

It will fall to \$26.8 billion in 1992, \$21 billion in 1993, \$14 billion in 1994 and \$10 billion in 1995, if all goes well.

The national debt will grow from \$351 billion in the year ending March 31 to \$380 billion next year, \$407 billion in 1992, \$428 billion in 1993, \$442 billion in 1994 and \$452 billion in 1995. That's when we will begin paying it back, with luck.

For every dollar the government collects, 35 cents goes to pay interest on the debt, Mr. Wilson said. By 1995, the number will be cut to 26 cents.

How did we get into such a mess? The finance minister offered an explanation. In 1984, when the Conservatives came to power, the government was living beyond its means, he said. (This was largely the legacy of the 1982 recession.)

"In a real sense, we have had to fight not one deficit, but two," Mr. Wilson said. In 1984, the government had to borrow \$16 billion to cover the difference between spending on programs and services and the revenues it collected, he said. "That was the first deficit - the operating deficit."

DEBT MOUNTAIN

"At the same time, a \$200-billion mountain of debt was generating more than \$22 billion in annual interest charges. Every penny of this interest was paid by additional borrowing. This was the second deficit," he said.

SNAFU® by Bruce Beattie



Theodore finds a new way to keep his head down on golf shots.

US Capital gets taste of Great White North

Kevin Bell

Washington Bureau
Thomson News Service



WASHINGTON-Now that the snowdrops and daffodils are starting to bloom, Washingtonians can rest easy that another winter is almost behind them.

And what a winter it was. Snow actually stayed on the ground three times after storms, twice in December and once in November.

And for two frigid weeks, Washingtonians shivered as they've rarely shivered before.

With temperatures plunging to -10 C - described as "bitterly cold" by the Washington Post - residents got an unpleasant taste of the deep freeze.

It was enough to make even the most hardened residents grumble.

It isn't supposed to be that way in a city that's located at the northern tip of Virginia. If it does get cold, it usually warms up quickly enough to erase the memories of frigid weather. Brief cold spells are balanced by extended warm periods when "winter" temperatures can easily rise to 10 to 15 C.

But this winter was unusual. Two weeks before Christmas, it snowed twice and the thermometer struggled to reach the freezing point. The result was a white Christmas, which forecasters say has only a seven-per-cent chance of occurring in Washington. It even snowed on Thanksgiving (Nov. 23), considered a two-per-cent longshot.

AGHAST

Washingtonians were aghast. They're always saying "it's the first time it has ever happened," one Canadian observed.

When the 1988-89 winter passed without a single significant snowfall, "it was the first time it

ever happened." When it snowed twice in two days, "it was the first time" they've seen so much snow.

If snow begins to accumulate on the streets, the reaction is something akin to panic. The heart of the free world is supposed to deal with all sorts of crises, but a minor snowfall can virtually cripple the government.

A snow squall that dumped three inches prompted the government to close its offices at noon. Workers were sent home. Managers of downtown stores closed up early and posted signs explaining the action was taken because of a "snow emergency."

Few venture out when snow is falling. Hechts, one of the largest downtown department stores, was almost empty one afternoon during a mild snowfall.

At the slightest chance of snow, schools throughout the District of Columbia and surrounding counties announce closures. Many decide to close on the basis of a forecast before a single flake has fallen.

When snow was predicted one day in December, the government requested that only essential personnel show up at work. (Some considered it a ruse to get everybody to work. After all, who wants to stay home and admit he or she is not essential?)

Almost every snowfall is considered a storm. When weather forecasters predict snow, they emerge from their traditional back-up role on local TV news programs and move up to the top of the broadcast. Forget all that fuss in Eastern Europe or South Africa, the top story today is, "IT MIGHT SNOW!"

They warn everyone to take evasive action. It's not just ordinary snow here in Washington, but snow that is expected to "stick," they say with a dramatic sense of foreboding.

SAFE?

The anchorman pop questions about the approaching "storm." How much snow? How long is it expected to last? Is there a chance it will be deeper than the four inches that are expected? Is it safe to go outside?

Can taxpayers believe our finance minister

Vic Parsons

Ottawa Bureau
Thomson News Service



Michael Wilson just about has his Ronald Reagan and Margaret Thatcher imitations down pat, but he'll have to work a bit on his George Bush.

You'll remember, of course, the approach of the former American president and the current British prime minister - privatization, deregulation and massive spending cuts, especially in social programs.

In short, major structural changes to reduce the role of government in the economy.

Our finance minister seems to be getting there. His budget Tuesday provided more evidence of that.

After Reagan left the White House, his successor, Bush, came along with a new line. "Read my lips: No new taxes."

Wilson stole Bush's "no new taxes" phrase on Tuesday but somehow it doesn't ring true. Sure, the Conservative backbench, a trifling edge these days about the mood of the voters, erupted in cheers. But, one can't resist asking, should taxpayers out there be relieved?

A Canadian skeptic could find sympathy with the American satirist who agreed with Bush that there would be no new taxes. "He'll just increase the old ones."

In Wilson's case, he could dramatically toss off the no-taxes line on Tuesday because he'd already set up taxpayers for 1990. In his budget last April, he nailed individuals and companies for a total of \$5 billion this year. Remember that one?

DEFICIT CUTTER

And in 1991, he'll be going to the well for the goods and services tax. Originally described as revenue neutral, it now is taking its place among the pantheon of deficit-reduction measures.

The finance minister likely shied away from tax hikes this time around because of the heat he took last spring. Business critics and mainstream economists booed his effort then because they felt he should emphasize spending cuts over taxes to trim the deficit.

It has been pointed out that since Wilson took on his portfolio six budgets ago, there have been 32 tax increases. Tax revenues collected by Ottawa are expected to tally about \$109 billion in the coming fiscal year, up from \$65.5 billion in 1984-85. That's a 66-per-cent rise, compared with inflation totalling about 20 per cent over the same period.

These changes have mightily annoyed Wilson's friends, let alone his enemies. Clearly, he had to try another approach.

One of those approaches is to toss the problem into the laps of the provinces.

When Wilson said "no new taxes," what he really meant was none that he will be blamed for. Instead, the provinces and municipalities - who are bearing the brunt of the federal restraint program - will be on the spot.

Berry's World

I SAID --- THEY SAY
LISTENING TO VERY
LOUD ROCK MUSIC
CAN LEAD TO
HEARING LOSS.



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