

the HERALD Outlook

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Time to ease up on interest rates

Okay, Mr. Wilson, enough is enough. It's time to ease up on interest rates.

Finance Minister Michael Wilson is coming under fire for resisting the U.S. trend to lower interest rates. Alan Greenspan, the American central banker, says he will not let tight-fisted chartered banks undermine his attempt to guide the U.S. economy to a soft landing. If need be, he will let U.S. rates drift lower.

Mr. Wilson, in contrast, says the problem in Canada is that people are borrowing too much.

Canadian rates already are five percentage points higher than they are in the United States. But at least one economist, John Grant of Wood Gundy Ltd., thinks they are about to fall substantially.

Does the finance minister not understand financial markets? To appreciate Mr. Wilson's position, it is useful to compare the growth of the money supply in Canada and the United States. Since 1984, money supply growth has been trending lower in the United States. Not so in Canada.

MONEY BOOM

Our money supply has been growing, especially over the past year. Money growth signals inflation in the months to come. Mr. Wilson knows this. He fears the past year's money explosion created an underlying inflationary bias.

But money growth has come to a halt. Demand for loans has slowed as well. The liquidity squeeze is taking its toll. Mr. Wilson and John Crow, governor of the Bank of Canada, have succeeded.

So why do they persist with high interest rates? Possible explanations abound. International capital markets demand it, for example. Or there are more savers in Canada than borrowers. A more likely explanation is that they want to make sure the creature is dead.

If they don't let up soon, they will have killed more than inflation.

Mr. Grant thinks relief is coming. He predicts the prime business lending rate will tumble 4.5 percentage points over the next year and



Dianne Maiky
Your Business
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a half. It will fall to 12 per cent by year end from 14.75 per cent now. It will continue to fall throughout 1991, ending the year at 10.25 per cent.

While this is good news for borrowers, it is bad news for savers. The yield on three-month Government of Canada treasury bills will fall 4.55 points by the end of the year, Mr. Grant predicts.

RATES TO DROP

The decline in long-term rates will be less dramatic. The yield on Canada bonds will fall from 10.37 per cent to 8.30 per cent by the end of 1991, he says. Chances are that the drop in five-year mortgage rates will be equally muted.

The remarkable thing about Wood Gundy's forecast is that such a big drop in rates will be achieved without a serious recession. Mr. Grant foresees a six-month recession, beginning in the fourth quarter of this year.

Wood Gundy's sanguine view flies in the face of other forecasters, who say interest rates will stay high for the foreseeable future. It is clearly this camp that has Mr. Wilson's ear.

Why is there such sharp disagreement? Because the old economic yardsticks are no longer useful. One industry can be crumbling while another is booming. Money measures also can be deceptive. People have been borrowing as if there were no tomorrow. But many of them may have been doing it to stay afloat. That would not be inflationary.



The joke is on the taxpayer

OTTAWA - Many of you likely think your beloved national capital is a pretty funny place. Here are some items good for a belly laugh or two: Did you, heh-heh, hear the one about the federal government slashing \$1.6 million from women's programs across the country?

Maybe that one doesn't tickle your funnybone. After all, when the heat was on, the government restored the operational funding for 74 women's centres so the cuts come only to \$400,000 this year.

So, hee-hee, how about Ottawa's decision to begin charging 1,500 war veterans for food and lodging in chronic-care hospitals next April? And the proposal to raise fees paid by another 3,600 vets by 75 per cent to \$420 a month by next spring?

Yeah, the government took some of the laughs out of that one by agreeing to phase in the increases more gradually. What's more, the 615 veterans who were wounded will still get free room and board.

Okay, ho-ho, what about this? The feds are eliminating the native communications program, worth \$3.2 million, and trimming native broadcasting funds by \$2.2 million.

NO REVERSAL

Now, we're getting somewhere. Ottawa hasn't reversed these. Oh, yes, it's also trimming \$1.2 million from native friendship centres.

Hang on! We're just warming up, folks.

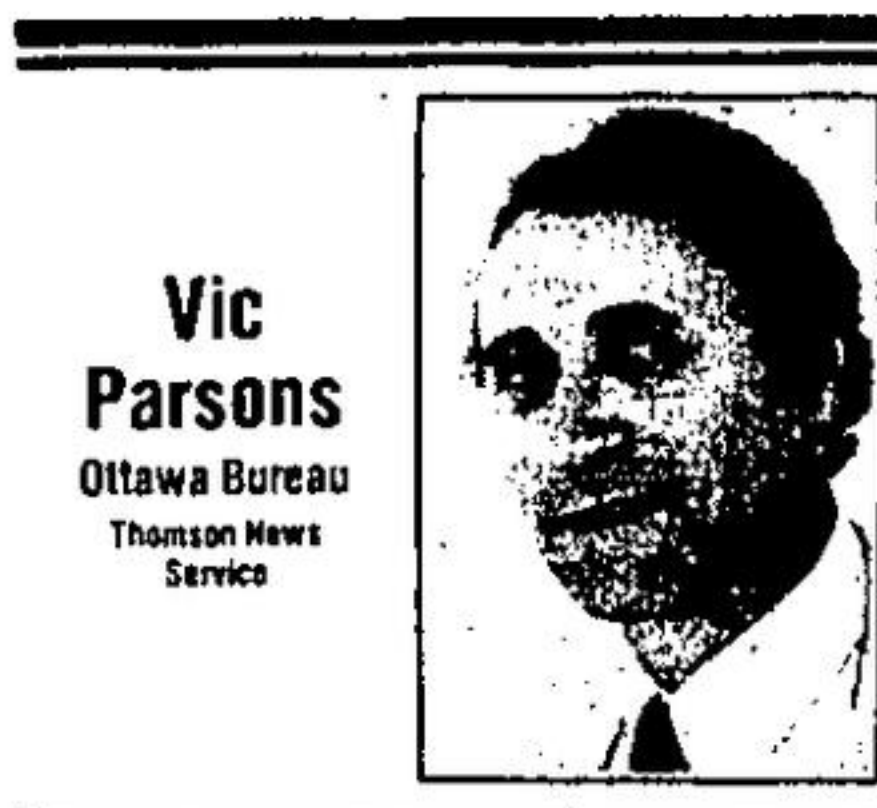
How about those fun-loving senators, chuckle, voting themselves \$153 a day, tax-free, just to show up for work in the Senate or at committee? That's in addition to the cash they get merely for being appointed to the job.

Golly, you're a tough audience! But I know you'll get a giggle out of MPs approving a proposed \$6,000 increase in their tax-free allowance, which is now \$20,600, in addition to their basic salary of \$62,100.

And here's a real knee-slapper. Industry Minister Benoit Bouchard granting \$400,000 to promote next year's World Hot Air Balloon Championship in Quebec.

Ha-ha, that should please the women's groups. That's exactly what they are losing from their promotional budget this year.

Now, this will have you rolling in the aisles: Ottawa is forking out \$5.5 million, through the Industry and Communications Departments, for a "comedy complex" to



Vic Parsons
Ottawa Bureau
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be located in Montreal.

SPECIAL DELIGHT

No doubt this is a special delight for Canada's native people, since that's just about the same amount that was cut from their com-

Community colleges threatened

By PAULINE JOHNSON
Queen's Park Bureau
Thomson Newspapers

TORONTO - Sweeping changes are needed to enable Ontario's community colleges to meet the challenges of the 21st century, says a \$709,000 report released July 20.

The report, called Vision 2000, was released by the Ontario Education Ministry. It is the result of 19 months of study by a committee of educators and education administrators, labor, business and government representatives working in collaboration with the Ontario Council of Regents for Colleges of Applied Arts and Technology.

"The college system can - and must - serve the needs of Ontario's students, workers, employers and communities as this province endeavours to adapt to increased competitiveness and restructuring in the economy, the demand for newer and higher skill levels in our workforce, the impact of new technologies and the demands of social change," said Charles Pascal, chairman of the Ontario Council of Regents.

The job-oriented focus of the 23 community colleges will be retained "but if we are training too narrowly the shelf-life of what we do will last from now until next Tuesday," he said. "We are not trying to turn colleges into universities ... but places where ability to be lifelong learners is enhanced."

Education Minister Sean Conway, who was not present, said in a press release he expects the report

munications programs.

The complex will include a theatre, a museum, a restaurant and comedy boutiques, selling fun things, perhaps exploding cigars and whoopee cushions. Federal, provincial and municipal authorities all expect the centre, priced at a total of \$13.5 million, will bring flocks of tourists to the city.

Goodness, perhaps they can stage an annual Meech Lake Cream Pie Festival to mark June 23, featuring politicians pushing custard tarts into each other's faces.

You've probably had just about enough humor for one day. Enough, that is, to realize the joke's on you, dear taxpayer.

to spark "lively discussion" amongst educators.

Among its 40 recommendations the committee calls for:

- The formation of a Provincial Schools/College Co-ordinating Council to increase access to colleges through better links with secondary schools and local communities. Together with provincially-funded, college-administered preparatory courses this would enable more access to low-income, mature, ethnic, native and disabled students.

- The establishment of a "without walls" provincial institute to partner universities with colleges so that college students could go on to take university degrees without repeating credits or, in the event universities do not agree, that the institute grant degrees.

- A major redesign of college curriculums so that students learn a wider range of academic subjects to prepare them for lifelong learning in a society where job changes are frequent and technology changes daily.

- The creation of a College Standards and Accreditation Council to set and review system-wide program standards so that graduating students from all colleges could equally meet job requirements.

- A review of tuition fees which should take into account that some students - laid-off workers taking retraining - and fixed-income students - cannot afford the same fees as working part-time students.

Poets' Corner

LOVER'S LULLABY

I hope you have a baby.
If I were free
And if you wanted me,
I'd have your baby.
Even though, I don't much like
To even hold them anymore.
Still, I'd never let go of yours.
Just like I don't seem
To be able
To let go of you.

My baby-crazy days are done,
Yours are just beginning.
By the time you're out there
Looking for fun,
I'll be watching soap operas
And knitting!
I know we've missed the boat
But really, that's okay.
Chances are,
It would have gone down
With no survivors, anyway.

I hope you have a baby,
My love for mine was enough
To keep me from indulging
My love for you,
Or even flinching out if it
were true.
And, believe me,
That's powerful testimony
As to just what a baby can do.

I hope you have a baby,
Maybe more than one.
When all's said and done,
No man is complete
Till he's fathered a son.
You'll make a great father
I've always known it.
Just like I know, you'd
have made
A great lover,
If I hadn't blown it.

I hope you have a baby,
And never forget
The love that created him
When he's driving you crazy.
He'll be worth all the trouble
He'll doubtless cause.
He would be to me,
If he were mine and yours.

I hope you have a baby,
I'd hate you to miss
All that family life can mean.
Just like we've missed
Whatever it is
That we might have been.
We've never even kissed.
"Though my guess is,
It would have been good.
There are some things in life
That shouldn't be missed,
And, maybe, some that should?"

By J.B.
Acton.