

Finance Minister Wilson using clever strategy

TORONTO - The other day I took Finance Minister Michael Wilson to task for refusing to ease his interest rate policy. But if economist Tom Hutchinson is right, Mr. Wilson has been pulling the wool over our eyes. He is letting rates fall despite his vehement protests to the contrary.

Mr. Hutchinson works for MMS International, a financial market information service. The facts are on his side. For the past four weeks, the Bank of Canada rate has fallen. The bank rate is what the central bank would charge for emergency loans to the banking system.

The bank rate also serves as an indicator of monetary policy. That's because it reflects the finance minister's wishes as well as trends on financial markets.

So far, the bank rate has not fallen enough to prompt chartered banks, trust companies and other financial institutions to drop their loan and deposit rates. That could change before long.

CLEVER TRICK

As Mr. Hutchinson sees it, Mr. Wilson is using as a smokescreen his public statements that wage demands, borrowing and inflation are all too high. Behind the smoke, he is easing the money reins. The most telling clues have been the unusual willingness of the finance minister to talk to the media.

"I've been sitting around watching all these things going on and



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putting the pieces together," he says. "We have seen lots of comments by Mr. Wilson lately that interest rates are staying where they are in Canada because of credit growth, wage settlements and the implications of the GST. Meanwhile, the bank rate keeps edging down."

Mr. Wilson's extreme caution can be traced to his January misadventure. In January, the bank rate slipped a quarter of a percentage point in one week. The dramatic drop sent the dollar into a tailspin. Everyone who had anything to do with financial markets said it was a stupid move.

Chastised, Mr. Wilson and John Crow, governor of the Bank of Canada, had to find some other way of bringing interest rates down. Mr. Hutchinson says.

"Because of the sensitivity of the Canadian dollar and what happened in January, they are concerned

about having another run on the currency," he said. "So they don't want to say what interest rates are coming down. They have to do it covertly, with one hand under the table."

ACTIONS SPEAK

"Meanwhile, they are keeping up this big, blustery anti-inflation talk in the press. They say they are not letting rates down but they are," he said. "This is really the only way it could work."

In Mr. Hutchinson's opinion, the dollar is still vulnerable. "The only way to get rates down is slowly and gradually, with the Bank of Canada holding a big stick over the market. Whenever anybody starts going too quickly, the bank will hit them. In the meantime, they keep up the rhetoric."

This is good news for borrowers. Mr. Hutchinson thinks the prime business lending rate, now 14.75 per cent, will fall to 13 per cent by year end. The prime is the benchmark against which lenders peg consumer and business loan rates.

Other economists are even more hopeful. Joh Grant of Wood Gundy thinks the prime will fall to 12 per cent by year end.

Mr. Hutchinson's theory explains the strange behavior of the finance minister over the past few weeks. It's a clever strategy. Mr. Wilson is soothing bond and currency markets with his talk while relieving borrowers with his actions. Let's hope it works.

A few simple solutions cut down on house heat

This article is provided by local Realtors and the Ontario Real Estate Association (OREA) for the benefit of consumers in the real estate market.

This summer, don't let the heat get you down. If your house heats up to 30 C on the inside when it's 35 C outside, take heart. There are several relatively simple things you can do to help ease the level of humidity and heat in your home, transforming it from an oven into the haven it's meant to be.

Start by closing your curtains and any other window coverings during the day time. A good deal of heat buildup results from continuous sunshine pouring in through uncovered windows. You may also want to consider getting heavier drapes with insulated linings that help reflect the heat.

Awnings can also be installed over your outside windows to cut down on the penetration of sunlight.

BRING IN THE COOL

Windows should be opened early in the morning to let in the cooler air, but shut by mid-morning once the outside temperature starts to climb. When the temperature starts to dip again in the evening, open the windows and let in the cooler air.

Fans are also handy at any time of the day or night to circulate air throughout your home. It's also a good idea to leave the doors between adjoining rooms open to keep air moving throughout your home.

If humidity is a real problem in your home, you may want to purchase a dehumidifier. These portable units - which come in a variety

of sizes suitable for most homes - remove moisture by temporarily cooling the air as it passes through the machine. Moisture from the air is then condensed into a container at the back of the unit, which must be emptied when full.

Most dehumidifiers will shut on and off automatically in accordance with humidity levels in the air.

CUT DOWN ON APPLIANCE USE

During times of peak heat intensity, the use of lights and appliances should be kept at a minimum. Try to do washing, drying and ironing either in the early morning or evening when the outside temperature is generally lower. Also try to avoid using the stove during the daytime as much as possible. Again, early morning or evening use is better, and whenever possible, use your microwave instead of your regular oven to minimize the amount of cooking heat.

While you're doing everything you can to cool down the main living areas of your house, you should also consider the attic - which can heat up to a steamy 54 C on a hot summer day. By late morning, your attic will be hot, your upper living area will be warm and your lower living space will still be cool. But by 2 p.m. all the upper areas will be hot and the lower level will be warm. At night, the temperature in your attic will dip to about 38 C, but without good ventilation, the heats becomes trapped.

If your attic isn't properly ventilated, you can install a natural ventilation system to make use of the natural air flow and help push the heat out. You can also install power

ventilation systems which will help expel hot air and draw cooler air in, using mechanical vents.

AIR CONDITIONING

Air conditioning is another alternative to beating the heat, but like a dehumidifier, this method of cooling requires some capital outlay - whether you decide to use window units or a central air conditioning system.

Before you buy an air conditioner you should determine what your needs are. The cooling capacity of air conditioners is measured in British Thermal Units (BTU) per hour. The size of air conditioner you need is dependent on the size of the room you want to use it in. It takes about 18 BTU/H to cool one square foot of floor space.

If you decide to purchase a window unit, check the efficiency rating first. The higher the rating, the more efficient the unit is. Also make sure the unit you have chosen will fit properly in your window.

Central air conditioning systems generally have a higher efficiency rating than window units, but are more costly. A central system cools your entire house by pushing cool air through the same forced-air ductwork that your furnace uses in the winter.

Heat pumps are also effective in beating the heat. Heat pumps work by transferring heat from your house to the outdoors. In winter, a heat pump takes heat from the outside and brings it into the house at a warmer temperature. There are air-source pumps and ground-source pumps.

Survey Completed Wednesday, August 1, 1990	MORTGAGE RATES ANNUAL INTEREST					
	SIX MONTH	ONE YEAR	TWO YEAR	THREE YEAR	FOUR YEAR	FIVE YEAR
TRUST COMPANIES						
Canada Trust	14.25	14.25	14.25	14.25	14.25	14.25
Municipal Trust	N A	13.50	13.50	13.50	13.75	13.75
CHARTERED BANKS						
Bank of Commerce	N A	14.50	14.25	14.25	14.25	14.25
Bank of Montreal	14.25	14.20	14.25	14.25	14.25	14.25
Bank of Nova Scotia	N A	14.25	14.25	14.25	14.25	14.25
Royal Bank	14.25	14.25	14.25	14.25	14.25	14.25
Toronto Dominion	N/A	14.25	14.25	14.00	13.75	13.75
This survey was prepared to help the Herald Homestyle readers track weekly Bank and Trust Company rates.						

Plan ahead for renovations

This article is provided by local Realtors and the Ontario Real Estate Association (OREA) for the benefit of consumers in the real estate market.

Does your home need a facelift? If so, you'll probably want to hire a contractor to do the renovation work. But before you sign on the dotted line of any contract, there are several things you should know.

When planning any type of renovation, it's essential to have a clear idea of what you want to do and how much money you want to spend. Once you put your ideas on paper, you can start to get your project under way. Depending on the nature of the work you want done, you may also want to consult an architect to help you develop formal plans. Additional consultants may also have to be approached for technical assistance.

If you have a good working knowledge of house construction and have a lot of time to devote to your renovation project, you may want to act as your own contractor and subcontract the various tasks involved to qualified professionals. This requires a great deal of organizational skill, but you can save money.

If you have neither the time nor the talent to do this, you'll have to hire a professional. Contractors usually have a crew of individuals to do the basic renovation work, while specialized tasks like wiring and plumbing are subcontracted to professionals in those fields.

DO YOUR HOMEWORK

Once you're ready to shop around for a good contractor, take the time to do a little homework before making a decision about who you're going to hire. Ask your architect for names of suitable people. Talk to friends and relatives about renovation work they've had done. If they are pleased with the outcome, get the names of the contractors they us-

ed. You can also contact your local home builder's association to get names of renovation contractors.

Then contact these firms and get their business licence numbers. Also make sure they carry up-to-date public liability and property insurance.

You may also want to phone the Better Business Bureau in your area to see if any complaints have been filed against any of the contractors on your list. If at all possible, view the sites of other projects and get references from satisfied clients.

Once you've confirmed the status of these firms, pick three to supply cost estimates for your project. Give all three the same information about your project so they can give you accurate quotes. You should also include any special considerations in the information you supply to the bidders, such as time constraints, cleaning provisions, and so on.

Your decision shouldn't rest solely on the lowest bid; in some cases, an exceptionally low bid can mean that the costs haven't been properly estimated. Consider all the quotes carefully before making your decision. You should also get references for these contractors and check them.

THE CONTRACT

Once you have chosen a contractor, you'll have to sign a contract. This document should include all pertinent information, including a detailed account of the work to be done - including any subcontracting work, and any warranties. It should also include a list of any permits which are required and an outline of who is responsible for obtaining them.

Renovation contracts should also include the overall cost of the work to be done and any payment terms, as well as the beginning and finishing dates of the project.