No evidence of fiscal skill in Federal Finance Department

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The finance minister says his department is no longer managing the economy through a rear-view mirror, the way it did in the 1981-82 recession.

Instead, a team of Finance Department officials have hit the road, visiting business people across the country. "We are listening to them," the finance minister told a House of Commons committee recently.

The reason, it seems, is that Finance does not want to be taken by surprise, the way it was in 1981, officials say. Yet the department seems to be making many of the same mistakes it did back then under the federal Liberal government.

In the boom times of the early 1980s, it seemed as it Canada would grow richer without limit. So the government decided to take in its share of the dough. Ottawa set its sights on real estate and oil, among other things. Little did it suspect the imminent price collapse.

LONG, TALL BANKER

Then along came a tall, cigar-chomping American, a central banker by the name of Paul Volcker. Mr. Volcker shot down the hopes of a generation of the North Americans. He saw the danger of inflation; he reached for his interest-rate weapon. By the time he was finished, the prime business lending rate in Canada stood at 22.75 per cent. Business lay prone and bleeding.

The Finance Department was caught flat-footed. It had new taxes and new policies to share the wealth but the wealth had vanished. The department's embarrassment lingers. Now, less than a decade later, it has new plans to squeeze money from taxpayers just as recession is laying us low. Then there is the rising oil price.

Things are worse today than they were in 1982. Yet Mr. Wilson assured the Commons committee that his department has its ear to the ground. Finance officials are talking to business and "trying to relate that to things we are sensing ourselves through the broad economic indicators" - which, one should remember, are two months old.

"This has helped us get a better sense of what is happening and what is likely to happen in the economy," Mr. Wilson said. "So the sensitivity that we have as a department to exactly what is happening and where the economy may go is a good deal better than going into the 1981-82 recession," he said.

Well, thank goodness. But where's the evidence?

We'll have to wait for it, I guess. So far, the damage high interest rates have wrought has been mostly to businesses wallowed in the excesses of the 1980s - real estate, expensive restaurants and the like. Unemployed stockbrokers don't faze Mr. Wilson, himself a former Bay Street denizen.

ASK US

But people are scared. The confidence of American consumers is the lowest it has been since the Conference Board created the index more than 20 years ago. The same fear pervades Canada. Because consumer spending accounts for roughly two-thirds of the economy, the Finance Department should be out talking to the people.

What would we tell him?

To lower short-term interest rates so that they are more in line with U.S. rates. They are five percentage points higher. (Long-term rates are the preserve of financial markets).

To let the dollar fall.

To drop the proposed goods and services tax.

To make the tax system fairer and simpler.

MORTGAGE RATES ANNUAL INTEREST

Survey Completed Wednesday November 7th, 1990

	SIX MONTH	ONE YEAR	TWO YEAR	THREE YEAR	FOUR YEAR	FIVE YEAR
TRUST COMPANIES						
Canada Trust	N/A	13.25	13.25	13.25	13.25	13.25
Municipal Trust	N/A	13.25	13.25	13.25	13.50	13.50
NRS/Royal Trust	13.25	13.25	13.25	13.25	13.25	13.25
CHARTERED BANKS						
Bank of Commerce	13.50	13.25	13.25	13.25	13.25	13.25
Bank of Montreal	N/A	13.25	13.25	13.25	13.25	13.20
Bank of Nova Scotia	N/A	13.25	13.25	13.25	13.25	13.25
Royal Bank	13.25	13.25	13.25	13.25	13.25	13.25
Toronto Dominion	13.25	13.25	13.25	13.25	13.25	13.25

This survey was prepared to help the Herald Homestyle readers track weekly Bank and Trust Company rates.

Housing alternatives exciting

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

Have you given much thought lately to where you'd like to spend your golden years? Does a cozy condo in Florida sound appealing? Or would you enjoy a more interactive retirement community where you could share your mealtime and recreational hours with friends? How about a garden suite or a shared-equity lease? These are just a few of the growing number of housing opportunities Canadians may want to explore as they approach their senior years. While some of these concepts have been in existence for some time, there are several exciting new alternatives now being introduced in North America.

Presently, about 10 per cent of the country's population is aged 65 or over. But by the year 2000, this percentage will grow to 13 per cent and by the year 2031, seniors are expected to make up one-quarter of the nation's population.

Undoubtedly, most older Canadians would probably prefer to continue to live independently in their own homes within the communities they have come to know and love. By age 65, many will have built up a great deal of equity in their homes.

However, as an increasing number of housing alternatives come on stream, more and more seniors may be inclined to move out of their long-time homes, not simply as a matter of necessity, but because they'll want to take advantage of the benefits and specialized services many of these new options will offer.

CURRENT OPTIONS

Many Canadians are finding that mobile home retirement communities provide them with suitable amenities at a reasonable cost, as well as lots of opportunity for social interaction with their peers. Usually set in quiet, charming locations, these communities generally provide many services and recreational opportunities for residents.

In most mobile home retirement communities, the homes are generally purchased by the seniors, but rent must be paid for the plots on which the units are located.

HOME SHARING AND COMMUNAL LIVING

Many seniors faced with economic or physical limitations may want to consider sharing their homes with family members, friends or acquaintances. In addition to helping the homeowner with expenses, home sharing also provides companionship. In some cases, the homeowner may wish to reduce the rent charged to the newcomer, in exchange for performing various chores around the house.

If you're interested in this option, check with your municipality first; some could have bylaws concerning thse types of arrangements when occupants are unrelated.

Sheltered retirement housing is somewhat similar to the home-sharing concept. Extremely popular in Britain, this type of housing consists of a group of apartments or clusters of single-storey homes. Each occupant has his or her own living quarters, and a caretaker is on hand to provide special assistance. Some of these setups also provide meals to residents. Often, the units can be bought and some offer life-tenancy or shared-equity arrangements - concepts new to Canada.

Life tenancies offer the elderly a chance to buy life leases (pay rent in one lump sum), allowing them to live in a unit for the rest of their lives. The cost is based on value of the unit and the age and sex of the purchaser. If the occupant moves or dies, ownership reverts back to the developer or investor.

Shared-equity arrangements can also provide many benefits. Under this type of system, seniors can purchase a portion of the equity of a unit - 25, 50, or 75 per cent - and then pay rent for the part still owned by the developer or investor.

Maintenance and operation of the building are handled by special staff, but special fees (much like condominium fees) must also be paid to cover ongoing costs. If residents decide to move, they can sell their share in the unit and still benefit from any appreciation in the unit's value.

Loan stock arrangements may also appeal to seniors in the future. With this setup, seniors make an interest-free loan to the sponsor of a housing probject. In exchange, the senior has the right to live in the unit rent-free for the remainder of his or her life. The only payments they have to worry about are maintenance and operation fees.

OTHER RETIREMENT COMMUNITIES

Retirement villages are generally larger than sheltered retirement housing systems but provide similar services. They are common in Australia.

Life-care communities can be larger still. They provide seniors with independent lifestyles but offer increasing levels of service and care as needed. To live in these communities, residents usually have to pay a sizeable entrance fee, along with monthly charges.

The emergence of these various housing options will make it easier for Canadians to plan more effectively for their retirement, knowing that they won't have to make huge sacrifices to be comfortable and secure.