

Economist properly explains what is happening

By DIANNE MALEY
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The slow days of summer are approaching. How will the economy look come fall? Will it resemble an L, sliding along the bottom the way it is now? Or will the recovery take the form of a U, a slow, subdued turn? Or, as recent house-buying would suggest, a V, a sudden rebound?

Or - gasp - will it take the shape of a W, rising to a false start then slumping again? It could, particularly in Canada. George Vasic, director of economics at DRI Canada, thinks the recovery will be under way by summer. But uncertainty about Quebec, the 1993 federal election and high interest rates could kill it within two years.

"This recovery is safe until mid-1993," he told a business outlook conference in Toronto. "After that, the risks escalate enormously."

A new deal for Quebec and the other provinces, or Quebec's

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separation, would have resounding effects on the national economy, Mr. Vasic said. Such political events are wild cards in any economic forecast.

U-TURN SEEN

Ed Yardeni, chief economist at C. J. Lawrence in New York, raised the question of the recovery's shape in a recent newsletter. He favors the U-turn, because it conveys "a more subdued, lacklustre recovery than the letter V." Being an optimist, Dr. Yardeni does not expect the dreaded W. "But a lacklustre

recovery is bound to trigger several W scares along the way."

The implications for interest rates are important. A U-shaped recovery implies that interest rates will stay pretty much where they are until later this year. In October or November, Dr. Yardeni says, U.S. interest rates could fall another half a percentage point. Barring surprises, Canadian interest rates would follow U.S. rates down.

Corporate profits this year will be as subdued as the economy, he predicts.

What if some other shape emerges? What are the implications for interest rates?

A w-shaped recovery would bring a rise in interest rates some time during the year. This would be followed by a substantial drop once it became apparent that the economy was headed down again.

UP OR DOWN?

A V-shaped recovery implies that interest rates will climb steadily higher from where they are now. A continuation of the

current L-shape means interest rates will fall again soon. They would continue to fall until some sign of life returned to the economy.

Mind you, economists are usually wrong, according to an amusing story in the May issue of The Globe and Mail's Report on Business Magazine. But I think my old friend Ira Gluskin, who is quoted in the story, has it right:

"I think if you can find the right economist who's clearly way smarter than the rest, he's maybe the only one who can actually explain what's going on," Ira says. "The challenge is to avoid all the noise that's out there and find the right guy."

I figure the right guy is Ed Yardeni. He may not be able to predict the future. But at least he does a good job of explaining what is going on.

What happens if I die without a will?



THE LAW AND YOU
by Colin McKinnon
LL. B. Q.C.

—First of all, someone will have to apply to be appointed Administrator of your estate. The Administrator is the person who will handle the work of your estate. It is the Administrator's job to deal with the assets, pay the debts and distribute what is left.

The adult members of your family have, in turn, the right to apply to be appointed Administrator. Your husband or wife has the first right to apply, then your children, then your grandchildren, the other descendants, then your parents, then grandparents, then brothers and sisters, and so on. If your closest relatives are your children, for example, all of your children would have the right to be appointed as your administrators and they would have to work together. If anyone turns down the right to apply, the next nearest relative would be able to apply.

Sometimes there is disagreement as to who should be appointed and the court has to step in and resolve the conflict.

There is a law in Ontario called the Succession Law Reform Act which determines who will benefit from your estate if you die without a will. Your spouse is entitled to the first \$75,000 of the estate. Then if there are children, your spouse and children share what is left—the proportions depend

on how many children or other issue there are. If there are no children or other issue, your spouse gets everything. If you don't leave a spouse, the estate goes first to your children or other issue, then your brothers and sisters if there are no parents, and so on.

Obviously, this can be quite a hardship in some cases if the children are quite young and the mother or father really needs all the funds for day-to-day living. Each child's share will be held in trust for him or her until he or she is 18, with the parent having to apply to the court anytime money is needed for such things as education or maintenance.

For more information about this topic, contact the Law Society's Dial-A-Law service and ask for tape #785 entitled, "Why Make a Will?". In Metro Toronto and area call 947-3333. From area code 416 outside Metro Toronto call toll-free 1-800-387-2920. From Ottawa and the local 613 are call 233-5941. From area codes 519, 613, 705 call toll-free 1-800-387-2992. From area code 807 call toll-free 1-800-668-8525.

Social programs threatened

By TOM MITCHELL
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Ottawa - Working Canadians generate the public capital which serves as a bank account to finance our social support network. When it comes to taking money from that account, it's our seniors who write by far the biggest cheque.

Our society over the near future will see rapid growth in the number of seniors, Statistics Canada figures show. Is our social support bank account going to wind up overdrawn?

The question cannot be answered with certainty. A host of totally unpredictable factors play a part. But a few trends that will affect the answer are known.

Members of our baby boomer population bulge, begun in the years just after the Second World War, will start reaching age 65 about the year 2010. By the year 2030, for the first time in our history, people age 65 and over are expected to outnumber those under 15. The expectation is that more people will be dependent on

the working portion of our population - in general terms those persons age 15 to 64 - than at any time since the height of the baby boom in the mid-1960s. And the social support burden this time around is likely to be heavier.

Back in the 1960s, it was the youngsters who were drawing most heavily on the social bank account, tapping it for family benefits, health care, education. In coming years, it's going to be the seniors. Experience shows they will be more expensive.

Figures compiled by the Organization for Economic Co-operation and Development (OECD), an international organization grouping the western industrialized nations and Japan, put per-capita social spending in Canada in 1980 at \$2,500 for everyone under age 15, \$1,800 for those 15-64 and \$6,500 for those 65 and over. So seniors drew down the social bank account at a rate more than 2 1/2

time greater than the under-15s. This proportionately higher cost for oldersters is expected to hold true in future years.

At the same time as the ranks of seniors will be increasing, the proportion of those 15 to 64, the workers who have to generate most of the wealth needed to finance the social support system will be going down. In 1987, there were 47 people under age 15 or over age 64 for every 100 people in the prime worker category of 15 to 64. That 47 per 100 is expected to rise to 67 per 100 workers by the year 2030 and to stay that high for another 20 years.

Social benefits have increased at a steady pace in recent Canadian history. To continue such increases, given future demographic expectations, probably would entail heavier tax burdens in the years 2005 to 2040. The choice that seems to be looming is one between increasing tax rates or modifying levels of social benefits.

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