



Bob Packwood

Photo by Erich Boekelheide

Interest rates could decline by year's end, senator says

By William Kogut
Of the Emerald

Long-term interest rates could drop dramatically by the end of the year, but civilization as we know it may not last long enough to enjoy the fruits of tumbling rates.

That was the theme of Sen. Bob Packwood's, R-Ore., mid-day speech to 30 Eugene 20/30 Active Club members and their wives at Bev's Steak House Thursday.

Interest rates will drop if the House enacts a federal budget already passed by the Senate in late May, Packwood said.

"The Senate budget cuts military spending more than Pres. Reagan might like and raises taxes more," Packwood said. "But the result is that deficits will decline over the next three years, whereas under the original Reagan budget deficits would have increased."

Smaller deficits would mean less government borrowing, which would in turn reduce upward pressure on interest rates, he said. Lower interest rates would revive the housing market and Oregon's timber-dependent economy, he added.

Packwood dismissed the concern of many economists that the Senate budget, in contrast to most past presidential budgets, does not project a balanced budget in the near future.

"Past presidential budget projections may have shown budgets balancing after three years, but they were based on unrealistic expectations of inflation and unemployment,

while the Senate budget is based on realistic figures," he said.

Of course, all bets are off if the world ends. Packwood said the danger of "civilization as we know it" ending has increased along with the chance of an "irrational country" gaining control of an atomic bomb.

"Iraq is a country I would class as not rational," the senator said. "When the Israelis bombed the Iraqis' reactor, I asked the CIA about it. They said the reactor was too big for research but too small for generating electricity. In other words, Iraq was going to build a bomb."

The Israelis were therefore right in taking out the reactor because a nuclear-armed Iraq could have touched off a nuclear holocaust, Packwood said.

"Israel took care of the the problem of (nuclear proliferation) in the Mideast for the time being, but in the long run, we can't depend on them," Packwood said. "I don't have a solution, but I'm willing to listen to what you (the public) have to suggest."

Also, regarding the housing industry, Packwood reiterated his support of Sen. Richard Lugar's, R-Ind., bill subsidizing 12 percent mortgages for new homes.

"The big question about the bill, now that it has been passed by both the House and Senate, is whether the president will sign it," Packwood said. "If he vetoes it, we will have the votes to override him."

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