

A bullish line of thought

Economic forecasters paint a rosy picture

By Debbie Howlett
Of the Emerald

The recession may soon be just a bad memory, say local economists and a Portland stock broker.

"Yes, with absolutely no reservations... we have reached bottom and are turning up," says Roy Vanderhoof, a broker with Dean Witter Reynolds.

And the state labor department agrees, although its enthusiasm is tempered a bit. "All signs are pointing to a recovery," reads a Labor Trends newsletter from the Eugene employ-

ment division and labor bureau. "The euphoria from (earlier) economic indicators has now worn off and is being replaced by a more somber assessment."

Part of that "somber assessment" includes Oregon. National recovery will come earlier than recovery in the Pacific Northwest, says Ed Whitelaw, a University economics professor. The Pacific Northwest won't recover completely — back to the same levels as late 1979 — until late 1985 or early 1986, says Whitelaw, who is also a past member of the governor's economic advisory council.

The statistics in "Labor Trend," which is

produced by state economists, show Lane County unemployment figures falling by nearly one percentage point a month during February and March. Lane County's figures have been some of the nation's highest. The economists say the hefty drop in unemployment is an indicator that a recovery is underway.

The January to March decline of 2.1 percentage points in the unemployment rate is the biggest two month drop since the spring of 1976 — at the beginning of the last recovery from a major recession, according to the newsletter.

Vanderhoof says the best indicator for the nation may be the soaring Dow Jones Industrial figures.

"Looking at the profit picture for corporations a year in advance — things look good. (The numbers) are not surprising us, and they're not disappointing us."

But if economic recovery sounds like good news to job hungry students, Whitelaw has a caveat.

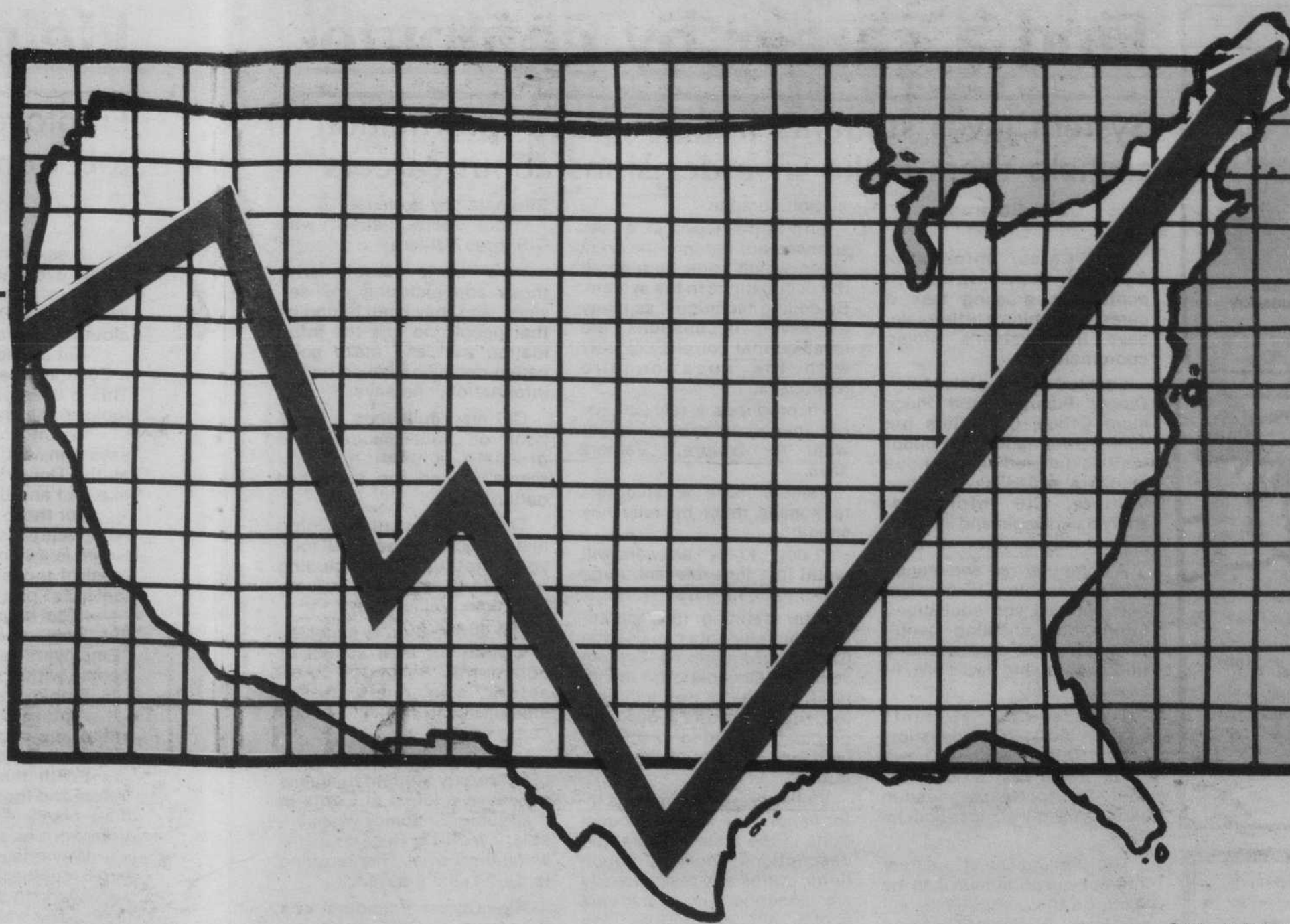
"College students in the '80s are still worse off than college students in the '70s," he says.

One of the recession's most important aspects for job-hunting students is that nearly 3 million of the college graduates in the past few years are still without work in the fields related to their studies, Whitelaw says. Added to that, about 15 million people will be graduating this year. Whitelaw predicts that only 12 million jobs will be available — for roughly 16-18 million college graduates.

"Students with poorer skills of quantitative analysis and expression are stuck... it means the shits for them," Whitelaw says.

Whitelaw says he doesn't want to rain on anyone's parade, but people need to view the recovery in the proper context.

He advises students to be wary of the vocational and professional schools because they "shortcut" necessary areas of learning.



Graphic by Shawn Bird

And predicting which job areas will be in demand after graduation is a tricky business because market demands change so rapidly and education is such a drawn out process.

"Only elephants have longer gestation period than academics," Whitelaw says. "By the time enough chemical engineers are trained, an overflow comes from the long gestation period."

Whitelaw reiterates that a recovery is imminent but should be taken for the slow process that it will be. He says the length and depth will depend on a number of things, namely the real rate of interest on mortgages.

"The real rate of interest on home mortgages won't come down far enough to in-

crease housing starts fast enough to pull Oregon out (of the recession) quickly enough to satisfy our patience," Whitelaw says.

According to "Labor Trends," the real interest rates for housing during the boom years of the late 1970s were in the 10-11 percent range with inflation running at 10-13 percent. Now interest rates are 12-13 percent with inflation at 4-6 percent. Mortgages are simply less attractive to the consumer.

Whitelaw asks himself a number of other questions about the national trend. Is the upturn strong? Is it just another step in the recession cycle, and will the long term decline in productivity have been arrested?

"Most of the answers are 'no,' therefore it

is much more disquieting," Whitelaw says.

"It is inevitable that at some point there will be another economic downturn," Vanderhoof says. "Three years from now interest rates will re-inflate," he predicts. But, he says, the downturn should not be as severe or as long as the current recession.

The nearly six-year cycle of the recession is "historically unprecedented," Whitelaw says. And he won't say that what he calls a "depression" is gone for good.

"I'm more interested in the employment rate, especially for Oregon," says Whitelaw. "If recovery means decreasing unemployment to 9 percent, the recovery won't reach Oregon until late 1985."

"Lumber and wood products are still real important to Oregon," Whitelaw says. He urges Oregon to "hedge its economic bets" through diversification and education.

Part of the blame for the recession, which Whitelaw readily hands to Oregon's business people and educators, also is part of the solution.

"We need to pay attention to the managerial and entrepreneurial skills we bring to the private market. Managerial incompetence is the biggest single explanation of business failure and slow growth," Whitelaw says. "We need to train leaders better and demand more from them."

Whitelaw also points to maintaining and improving public facilities to insure a lasting recovery. "What we do is allow it to rot," says Whitelaw.

Vanderhoof blames the length of the recession cycle on the Reagan Administration. "(Paul) Volcker, (Pres. Ronald) Reagan and (Donald) Regan have it set up that way." Vanderhoof adds that the slow recovery was more an economic philosophy to lower interest rates and keep them at a fairly constant level. He adds that if the plan works, interest rates could stay at present levels or lower for two or more years.

If part of the national solution is patience, Whitelaw has none for the University, which he says could play a major role in the economic remedy.

"They don't require of students the kinds of things they need in the coming market. The skills that pay off 5-10-20 years out," Whitelaw says.

But Whitelaw's final analysis for the economy is optimistic.

"There should be substantial growth in the Pacific Northwest for the rest of the decade and into the next."

Vanderhoof is just as optimistic about the national picture.

"The building material is there for sustained economic growth, that's why we're seeing the highs on the Dow Jones," Vanderhoof says. "Really there's no reason to be pessimistic."

'There should be substantial growth in the Pacific Northwest for the rest of the decade and into the next!'

-Ed Whitelaw



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12:00-1:45 pm Awards Luncheon, EMU

1:30-4:30 pm Casino Days for Muscular Dystrophy, Sigma Phi Epsilon Fraternity

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- Baron of beef
- Ham and blintzes
- Eggs benedict
- Salads
- Fresh fruits and lots of desserts

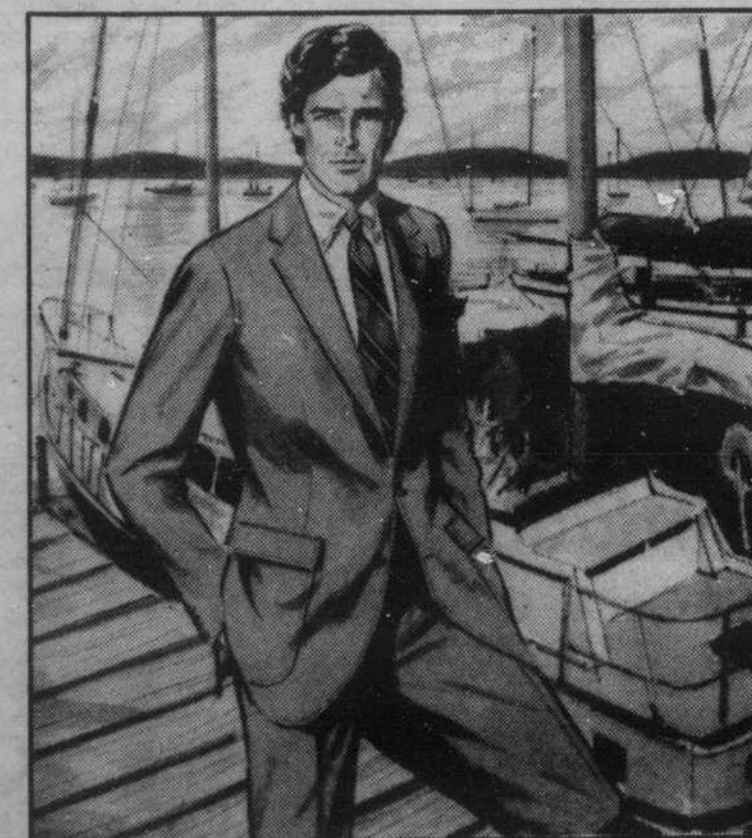
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