

OPINION



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GUEST COLUMN

Oregon economists on recession watch

Difficult days lie in wait for Oregon legislators and our new governor.

That was clear from the somber predictions delivered last week by state economists, regardless of whether you embrace the positive view of state House Majority Leader Julie Fahey, D-Eugene, or the warning words of House Republican Leader Vikki Breese-Iverson, of Prineville. They were among the legislative leaders who quickly issued statements responding to the quarterly economic and revenue forecasts.



DICK HUGHES

State agencies have been working on their 2023-25 budget requests. Yet there is tremendous uncertainty about the economic outlook and resulting state revenues — far more uncertainty even than usual, according to State Economist Mark McMullen.

“Economists are really on recession watch right now, and they’re increasingly pessimistic,” he told the state Senate and House revenue committees at their virtual meeting on Wednesday.

Essentially, it’s a coin flip as to whether a recession is headed Oregon’s way. The Oregon Office of Economic Analysis, which McMullen leads, is sufficiently concerned that he and senior economist Josh Lehner for the first time presented contrasting forecasts. One is what they think will happen: a “soft landing” from the current high inflation and other tough economic factors. The other is the most likely scenario if their first forecast is wrong: a mild recession in Oregon starting late next year.

In both scenarios, state government has more money to spend than previously projected for the current budget period but less than expected for subsequent budgets. The multimillion-dollar differences vary based on the scenario. Sen. Lee Beyer, D-Springfield, who is retiring, said the 2023 Legislature should look cautiously at the state budget.

Beyer, who chairs the Senate revenue committee, said the recessionary scenario resembles the 2001 Legislature: “Adjournment followed by five special sessions, cutting the budget each time.”

Budget and consequent policy decisions can profoundly affect individual Oregonians. When the 2023-25 budget begins next July, the state will possess its largest reserves on record. Yet those will



Nam Y. Huh/AP Photo

Inflation has led to higher costs for consumers.

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be inadequate to avoid program cuts and layoffs if the pessimistic scenario comes to pass. And people depend even more on government services during an economic downturn.

Those needs are evolving. The economists said in their written report that in the current decade, “based solely on demographics of Oregon, demand for public services geared towards children and young adults will likely decline or increase only at a slower pace, whereas

demand for elderly care and services will increase rapidly.”

Meanwhile, inflation in the West was running at 8.3% in July. Several years will elapse before the U.S. gets back down to the Federal Reserve target of 2%.

The continuing inflation dramatically affects local and state government, as well as the rest of us. The state economists wrote: “There are a number of license fees, limits on legal damages, amounts distributed to programs and the like that are indexed annually for inflation. All of these will increase faster than usual next year, and likely the year after.”

Next year’s increase in the Oregon minimum wage will be tied to the consumer price index, so the wage likely will rise 5%. Many public employee pay raises also are negotiated with an eye on inflation.

Such increases, along with the rising price of goods, had two revenue commit-

tee members — Republican Rep. Greg Smith, of Heppner, and Rep. E. Werner Reschke, of Malin — wondering whether the state would have enough money to fulfill its various contracts.

Renters also will feel the inflationary effects. This month the Office of Economic Analysis will announce the maximum allowable residential rent increase for 2023. It likely will be in the mid-14% range.

A bit of good news for Oregonians: The size of the income tax “kicker” headed their way in 2024 keeps growing, so consumers will have money to spend.

But if a recession does occur, the economists predict it will be “relatively mild in severity, and short in duration. Oregon loses 57,000 jobs, for a decline of 2.9%. Such losses are a bit more than the 1990 recession but noticeably less than the dot-com or housing busts.”

Dick Hughes has been covering the Oregon political scene since 1976.

LETTERS TO THE EDITOR

Giant step back

I remain a supporter of the decision to relocate the Seaside High School to high ground. It was sensible, given what we now know about the tsunami flood risks at that site.

For those same reasons, I oppose the city of Seaside rezoning the adjacent “North 40” parcel for child care, social services and affordable housing. Concentrating lower-income families into our highest-hazard zone is a giant step back in our efforts to become more resilient.

PATRICK CORCORAN
Astoria

Hospitality

We wanted to say “thank you” to the city of Seaside for the hospitality over Hood to Coast weekend. From all the businesses, to a really sweet gentleman who bought our whole van Dutch Bros. as we left Sunday, we appreciate the opportunity to have done the race over the past 11 years, and to finish in a town we love to support.

We hope that all the participants of Hood to Coast/Portland to Coast take the time to say both “thank you” in person, and financially, for letting us take over the town for the weekend.

LIBBY MONGUE-WYMORE
Vancouver, Washington

People over profits

A Safeway store. Bend, Oregon. Another AAR-15 shooting. Another young male. Sure, the shooting might have been mentally ill, anyone would have to be to kill innocent people, especially children. There is probably mental illness in every other country in the world, but what is the difference between America and New Zealand, for instance?

New Zealand does not have the National Rifle Association, which values profits over people. Jacinda Ardern, their prime minister, acted swiftly after the shooting incident in Christchurch, with a

gun buyback.

More innocent people murdered for no reason, other than they were in the wrong

place at the wrong time. A military-style weapon, designed to kill a large number of victims quickly; these weapons are not



LETTERS WELCOME

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for hunting, are not for self-defense and should not be for civilians.

People meeting in church, getting groceries, shopping in a mall, enjoying a theater or concert and, most horrific, children in schools ... everyday places. Bend, Oregon. Safeway. How much closer to home does it have to get?

An election is coming up soon. If you are sick of yet another senseless murder of innocent people, please be an educated voter. Check which candidates are receiving funding from the NRA, then vote for the candidate who is not beholden to the NRA. Vote for people over profits.

Protect our democracy. Your vote matters. Mark your calendar, and vote!

LaREE JOHNSON
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