

Past economic problems offer lessons for today

Oregon timber was hit hard during the 1980s

The Associated Press

PORTLAND — Times are tough in Oregon. Less than three decades ago, they were in some ways tougher.

The crash of the timber industry coincided with staggering interest rates. Mills closed, storefronts emptied, and in 1982, the jobless rate was 12.1 percent.

The state was led by Vic Atiyeh, a soft-spoken, unassuming rug merchant-turned-Republican governor working with a Democratic Legislature.

He led the Legislature through painful budget cuts, then agreed to an income-tax surcharge that voters never challenged.

Atiyeh promoted the state overseas and helped set up a modern Oregon economy oriented to foreign trade and the high-tech industry.

The 1980s recession was less complex than this one, he said. Then Oregon was less ideologically polarized and more trusting of its political leadership.

But as interviews with Atiyeh and three of his successors show, his leadership during those trying years offers some lessons.

Stay calm and give voters a clear picture of what is happening. Build a sense that everyone has to share sacrifices. And, if you're in elected office, assume you won't run for re-election and do what you have to.

Celebrating his 86th birthday Feb. 20, Atiyeh is still active in the community, saying he feels

a new vigor after quadruple bypass heart surgery.

Last week he discussed his perilous tenure as governor and what he thinks about how the state's leaders are coping this time with *The Oregonian*.

When Atiyeh took office in 1979, the state had enjoyed years of rapid economic growth, with a slight glitch in the mid-1970s.

Things looked good.

But the Federal Reserve raised interest rates, housing tanked and Oregon began losing jobs.

The 1981 Legislature made its first round of cuts. Four special sessions followed. Altogether, lawmakers faced about a \$700 million budget hole, not much by today's standards, but at the time about 20 percent of the state budget.

"I think everybody kind of pulled together," Atiyeh said. "That doesn't mean we didn't have controversy. We did. It doesn't mean we didn't get tired and angry. ... (But) we knew people were hurting."

Time may have mellowed his memory. During the 1982 special session Democratic legislators often griped that Atiyeh wanted to saddle them with the tough decisions to help his own political future.

"I'm not going to play bullet catcher for Vic Atiyeh," fumed Eugene Democrat Grattan Kerans, then the House majority leader.

But they finally came together.

But lawmakers chopped welfare eligibility when people needed it more, raised tuition at state universities and cut spe-



Statesman Journal file

Former Gov. Neil Goldschmidt shakes former Gov. Vic Atiyeh's hand after Atiyeh made his farewell speech. Then Senate President and former Gov. John Kitzhaber watches.

cial-education funding for local schools. The state police cut 100 uniformed jobs.

Atiyeh and the Democratic leadership agreed that cuts alone wouldn't balance the budget.

He agreed to the income tax surcharge, topping out at 10.9 percent. Cigarette taxes went up, and some business tax deductions were cut.

Legislators didn't refer the tax hikes to voters, as is common now. And nobody tried to overturn them.

Kerans, now retired in Tucson, Ariz., has mellowed in his assessment of Atiyeh and the times. The state was hurting beyond anything its residents or leadership had seen since the Depression. Oregon lost

107,000 jobs, and for one two-year period, revenue estimates declined every quarter.

"There was no doctrine or ideology you could hold onto," Kerans said. "It was triage, and he rose to the challenge."

"Vic was very brave to do that tax increase," added former Gov. Barbara Roberts, then a Democratic legislator. "When I think about him serving during that time, I think of the calmness, the lack of hysteria ... the lack of combativeness on his part."

Another former governor, Democrat John Kitzhaber, also served in the Senate then. He said Atiyeh, Oregon's last Republican governor, with his 20 years of legislative experience, was steeped in prag-

tism.

"There was a good old boys club, no question about it," Kitzhaber said. "And there were a lot of negative things you could say about that, but they were really interested in getting the job done. There were certain functions the state had to perform, and they made sure it happened."

Later in 1982, Atiyeh ran for re-election against a young, gregarious state senator by the name of Ted Kulongoski.

Atiyeh had a collection of folksy stories, quips and humor in a thick scrapbook for his stump speeches.

He ran ads portraying Kulongoski as dangerous to the states business climate and won in a landslide.

"The vast majority looked at Vic," recalled Kerans, and said, "Good enough. Were in tough times. Go back there and keep it up."

Kulongoski said it was mostly the difference in the times that allowed Atiyeh and the Legislature to come together. The state had fewer responsibilities then, and voters gave the state government more leeway, he said.

Now, voter-passed initiatives have forced the state to take over most of the financing of public schools and increase prison space.

Kulongoski said Atiyeh's lasting legacy comes from seeing that Oregon needed to depend less on timber. He was the first governor to have Oregon looking to trading partners, Kulongoski said.

Atiyeh now acts as a kind of grandfather to Oregon — preaching enduring values.