

Tape 5, Side 1

CH This is an interview with Governor Victor Atiyeh at his office in downtown Portland, Oregon. The interviewer, for the Oregon Historical Society, is Clark Hansen. The date is December 12, 1992, and this is Tape 5, Side 1.

In our last tape we were discussing the '59 session, and we were talking about the relationships that the legislature had, you had, with other people and other aspects of the government, and I was going to ask you about Governor Hatfield and the executive branch and how the legislature that term was getting along with the executive branch, Governor Hatfield in particular, and, then, your own relationship with Governor Hatfield at the time.

VA I don't really recall any real abrasiveness between the legislature and now the new Governor Hatfield. As a matter of fact, I couldn't come up with anything that would relate to any violent differences, understanding I was just a freshman and I was still trying to find the bathroom in the place. But it would have popped up somewhere if something might have been explosive or whatever, but I don't recall that.

My relationship with him was very good. As a matter of fact, I mentioned earlier about the, quote, Young Turks, and Mark was young at the time, we were young. He'd be kind of - I don't know whether he adopted us or we him, but it was a pretty good relationship, ours, meaning me and the others that I mentioned before, and the governor. He and Antoinette were living in an apartment, hadn't yet found a house - and, incidentally, that's interesting. Governors had to provide their own housing until Governor Goldschmidt got his mansion. But anyway, we'd go visit him once in a while, not very often, in his apartment.

I will tell you this. This is kind of interesting, because he was going to try to kind of spread it around a little. The governor gets invited to all kinds of things, and so he would

say, "Are you interested in representing the governor from time to time?" "Sure, that sounds like a pretty neat deal." I think the first one was Woodmen of the World. We'd been dealing with timber taxes, and, you know, what do I know about Woodmen of the World. It turns out to be one of these fraternal insurance deals, and they have all kinds of ceremony and things of that kind, which is really not my big thing. And, then, he sent me to another one - I've forgotten the name of it now - and finally, a third one, which was a convention of these fraternal insurance companies. The ladies were all dressed up in long dresses, marching, and the men in tuxedos. I finally went to see the governor. I said, "Governor, I appreciate this very much, but this really isn't my thing." So I didn't go them anymore. He was just trying to be generous, you know.

CH Did you deal with any particular person more often than another in his administration?

VA No, I dealt very little with the office, again because I'm a freshman and because the Democrats were in a majority. Every once in a while he'd assure us of bills that he was interested in. I guess we'd call them the governor's bills so they were identified. That didn't necessarily mean that we were going to hew the line in regard to everything he wanted. You know, I liked him and - remember, I said earlier I dealt with issues rather than personalities, and actually only one time I promised I - I'd also said earlier that you couldn't really depend on the votes anymore. I had promised him I was going to vote for a bill, and then I really studied it and felt really bad, but there was no way I could do it, and I sent a message to him that no, I can't do that, so at least he knew. It wasn't a matter of saying yes, I will, and then vote the other way. I don't remember what the bill was, but I remember doing that. But we didn't really have an ongoing communication with the governor's office.

CH What was your impression of Travis Cross?

VA Of whom?

CH Travis Cross.

VA Travis Cross. One of the greatest guys in the world. He's very sensitive, very concerned about doing the right thing. I have continuing good relations with him today. I think he's a great guy. Same thing with Warne Nunn. And, then, he had a fellow named Loren Hicks ^{ok} ~~[sp?]~~. Loren Hicks was kind of a - oh, a pretty stiff guy. You know, he wasn't what I'd call warm and outgoing. Nice fellow, but the warmest of the lot was Travis. He did a good job for the governor. Warne Nunn did a fine job for him.

CH Sam Mallicoat?

VA Sam Mallicoat also. A neat guy.

CH Did you know Leolin Barnett [?] [sp?]? (I DON'T KNOW)

VA Yes.

CH She served so many governors.

VA Yes.

CH What was your impression of her?

VA Just a perfectly wonderful woman. Pleasant - you know, if you asked a question, you were going to get an answer. Just a delight to be around. A very fine person.

CH She must have had some remarkable assets to be so valuable

to so many people.

VA I think it was just, first of all, a matter of loyalty for whomever she was working, but also very meticulous, she knew her way around, but she was not pushy at all. Very quiet and very self-assured. I mean, she felt confident of herself, but I don't mean that in an arrogant way at all. As a matter of fact, just the opposite. She just handled it all very well.

CH Some of the other people in the executive branch that term, secretary of state was Howell Appling. What was your impression of Howell Appling? Howell Appling, Jr., actually.

VA I thought he did a great job. A very outspoken guy. He did a really great job as secretary of state. He knew what it was he was supposed to do, and he did his darnedest to get the job done. I can recall - he, I'm sure, had some arguments with the governor, Hatfield, who appointed him. He kept wanting to do the job, one of which is auditing state government, and a lot of governors didn't want anybody auditing the books. I don't think there was quite that relationship, but I don't think it was very open, go-do-whatever-you-want-to-do-when-ever-you-want-to-do-it kind of thing. But he did really a very fine job. As a matter of fact, he was so good at it that I really believed that if he had wanted to run for governor after Mark Hatfield was concluding his term, that Howell Appling could have won it hands down.

CH Against Tom McCall?

VA Oh yes, absolutely. He would have won it hands down. He was very greatly admired and widely respected and well known. He just didn't want it.

CH Governor Hatfield had appointed him, hadn't he?

VA Yes, right.

CH And wasn't there a controversy over that, over who would get the right to - who would get the constitutional right...?

VA Yes, yes, yes, yes, and I think I have it somewhere in a scrapbook. But Bob Thornton was the attorney general, and Bob Thornton had a history of giving opinions that wouldn't hold up. So his opinion was that Mark Hatfield could not appoint the secretary of state. This went to the courts, and the courts concluded that indeed he could. And then there was an editorial in the Statesman. The shortest editorial ever written. And the headline, as they are on editorials: Thornton Consistent. That was the headline. The editorial was: A hundred percent wrong. That was the whole thing.

CH Did that coincide with your own feelings about Bob Thornton, Robert Y. Thornton?

VA Oh, I didn't have that strong a feeling about it at the time. It's really interesting to me. As we move through life and time moves on, Bob Thornton now is a good friend of mine, he and Dorothy. Dorothy was kind of in charge of whenever we had - we had artist displays in the governor's office, and we always had a reception on the first day of it, and Dorothy was always there to set it up. Bob is a member of the ^{JAPAs} ~~Pan~~ American ~~DA~~ Society, and we still communicate quite regularly. He wants to run a seminar. And as a matter of fact, he and my cousin, Fred - and Fred, now, as I may have mentioned earlier, lives in New York. They went to school together. But I wasn't that in the sphere of higher politics of the governor's office and the contest between a legislature and a governor or the attorney general. I mean, that wasn't my bag. I was just trying to live day by day on the floor of the house of representatives.

CH Well, wasn't there a measure that was vetoed that session by Hatfield that had called for the resignation of elected officials before assuming another elective office? And this had to do with this whole thing between Governor Hatfield and Governor Holmes over the contested rather than the appointment of secretary of state? Do you remember when that issue came up?

VA No. I don't have any recollection of that. I'm sure there are a lot of things I don't recall.

CH I believe the story was that Hatfield took the oath of office, and something like he resigned the second before he took the oath of office, took the oath of office and then appointed Howell Appling?

VA He swore Howell Appling in immediately after he was sworn in as governor.

CH So your feelings in general about Bob Thornton at the time?

VA Then and now, you know, I would look - I suppose I somewhat disdained, not knowing him, at least, all that well, and a fellow whose opinions don't hold up. And gee whiz, you know, what kind of a guy is this. I finally got to know him, and all the rest, and became friends with him. But I don't think it was any stronger than that.

CH And what about Sig Unander, who was treasurer at the time?

VA Sig Unander was a crushed person, having lost to Mark Hatfield. I don't think he ever - I know he never lived through that one. I don't think he recovered from it. He was a nice fellow. I think he had great visions of himself and just assumed he was going to be the next governor. He didn't make it to this upstart that really has only been kind of beginning his

career, although Mark had already been serving and won his own elections. I don't think Sig ever got over it. I really don't. I think that was sort of a - as I look back on it now, sort of a slide downhill from there for him.

CH Going on to some of the issues in that session, Governor Hatfield, in taxation, and of course - were you on the taxation committee this term?

VA Yes.

CH You were on every term, weren't you?

VA Every one.

CH Governor Hatfield called for a major departure from the current law in the so-called gross income tax, and outgoing Governor Holmes recommended a base-broadening tax based entirely on income tax. Do you remember any of the debate that...?

VA Sure do.

CH Tell me about it.

VA I don't remember anyone else's tax plan, but I do remember Mark Hatfield's, and I thought it was a good idea then, and I proposed it as the governor, same idea, and got the same reaction that he got at that time. They laughed us out of the state. I still think it's a good idea.

CH For gross income tax?

VA It was an income tax. I think the word that he used was net receipts tax. But the whole idea was that you eliminate all deductions. Gone. And you still use the graduated tax scale.

However, there was a - call it a minimum tax, if you will. In other words, there would be no nontaxable returns. Everybody would pay some tax, and then it would be graduated up. I thought it was a good idea then, I think it's a good idea today, I thought it was a good idea when I was governor, but politically it will never fly.

CH What was the basis to its derision, either at that time or later on?

VA Well, the whole idea is, you know, if you don't allow a charitable deduction, people are going to stop giving to charities; if you don't allow interest to be deducted from your mortgage payments, nobody's going to buy a house. You pick your own special-interest group and what the deduction is, they won't do that anymore.

CH Do you think there would be any more sympathy for that kind of a proposal today where people are very cynical about the process of taxation now with all the loopholes?

VA Well, this is another part of politics that's very interesting. The answer is yes; not with that word, however. There is a flat tax. Have you heard of that one recently?

CH Sure.

VA It's the same thing, only it's called a flat tax, and people think it's a pretty good idea [laughter]. So after all, if you stop to figure it out, all these deductions, if we look at it - I'm going to try to sell you on it; it's silly. But people make contributions to charities, and they make all these various things that they do that relate to the federal tax because that's a big tax. The state tax is sort of a throw-in. They don't do it on account of a state tax, they do it on account of the

federal tax. The second people would just understand - none of those deductions can be taken in the state of Washington because the state of Washington doesn't have an income tax. People still give to charity up there, they still buy houses up there, they still do all the things we do down here, but they can't take it as a deduction because all they have up there is a sales tax; they don't have an income tax. So they're doing it, however - that is, the people in the state of Washington - for the federal tax part of it. That's where it has some meaning. There was only one what I consider a legitimate argument against it, after really thinking about it at great length, and I can understand. The argument that I came up with is that this is the taxpayer's one chance a year to say I'm going to screw the government, and so it's a psychological outlet. That's the only value, as far as I can tell. It doesn't have anymore value than that. It simplifies the return, and actually the one thing they keep saying about Oregon is that our income tax rates are among the highest in the nation, and probably they are. But people don't pick up the word I said tax rate; not the tax, the tax rate. And so its published in these various tax books, and there's Oregon with a high tax rate. We only tax half the income in Oregon. So I don't know where our top rate is today, but let me say it's 9 percent. I think it's a little higher than that, the top rate. But let me say it's 9 percent. Immediately you can lower the top rate to 4.5 percent and still collect the same amount of money.

CH By having a flat tax?

VA By just eliminating the deductions, you're now taxing everything. And so, as I say, we only tax half the income. All the rest of it is all these deductions that come out of it. So with all of that - let's say we want to raise a million dollars, so we let people take a lot of deductions and we just make the rate higher. If we eliminate all the deductions and make the rate lower, we still get a million dollars. It all makes great

sense, doesn't it [laughter]?

CH I notice that the paper said, and I believe it was the Statesman Journal, they said, quote, To this list was added the sales tax, which has long been a platform of the Republicans and long rejected by Oregon Democrats. Is that true?

VA I don't recall the sales tax as being part of that. As a matter of fact, that may have been a separate item. That was not in the net receipts tax. As a matter of fact, what I do recall is that there were three Republican legislators and six Democrats on the tax committee, and we actually got the bill out of committee onto the floor of the house, actually got it out. They went to the Democrat caucus and it came back like it had a rubber band on it, you know, so it never really got much debate. But the point was that we actually - we felt pretty proud that three of us Republicans got that bill out of the committee.

CH How did you feel about the sales tax?

VA I opposed a sales tax continuously from 1959 to 1985. In 1985 I did support the tax bill, and I would say to you that it was the best tax bill I've ever seen. Now, it's interesting. People don't really care why I opposed it, but I opposed it for a different reason than most people do. They use the word regressive and all kinds of things like that. I don't believe the regressive argument. I read - incidentally, I told you about reading the annual report of the department of revenue, and I did some reading on taxes and the theory and philosophy of taxes. I recall reading one time, you know, that when they speak about it being regressive, actually, the - even if you were to tax the variable income and tax food and all the rest, but the very low income, they are the likeliest beneficiary of tax money. They're going to get more money back than they'll ever put in. These are all theories. You see, they don't politically fly, but they're -

they say, Oh yeah, I can understand that. But my reason was entirely different. I thought to myself, as long as a tax is perceived to be onerous, that people will keep the pressure on the elected official from spending. That was my reason. As long as there's pressure - we don't like it, don't raise our taxes - as long as there's that - that was always there. That will keep people from spending. And at least once a year, because there's withholding, at least once a year, somebody knew how much they were paying in income taxes. They knew here's this big chunk of money they spent. Sales tax, you'd never realize it. You're spending pennies at a time. It doesn't really hurt. You don't know, really, how much - I would venture to say up in the state of Washington there may be just a barest handful of people that really know all of the sales tax they spend, because the federal government - up until a couple of years ago, they would say, okay, if you're making so much, we're going to presume you spent this much in sales tax, and so people would use that figure, whatever that is, and I say a couple of years ago they changed the law, and so you cannot deduct the sales tax against the federal tax. But they really didn't know. So it wasn't, let me say, painful. They didn't like the diming, and the nickels and dimes and pennies and stuff like that - it was kind of a nuisance - but they really didn't know how much tax they paid. That was, see, where I'm coming from against a sales tax, that it just wasn't painful enough, and I wanted to keep government from spending. But as I say, people didn't care what my reason was as the opponents of the sales tax.

CH What caused you to change your mind, then, in 1985?

VA I changed my mind in '85 because the bill that came forth was a wonderfully balanced bill. It did institute a sales tax, it did reduce property taxes and, slightly, income taxes, it did control the growth of property taxes; it had all the elements in it for a well balanced tax plan, and that's why I changed my

mind. It was a well-balanced tax plan.

CH Who supported that or who was the author of that tax plan? Was there a principal author, or was that something that was done by a group or groups?

VA I can't recall where it was fully developed. Obviously, it went to the house and senate tax committees. I can tell you it was supported in a bipartisan way. Jason Boe was a supporter, I was a supporter. That only is by of example. But you know, when you ask the question, I can't recall. It's strange, but I can't recall.

CH What about this assessment by the newspaper about the sales tax having been a platform, long been a platform, of Republicans and rejected by Oregon Democrats. Is that a true assessment?

VA By and large, that was the case.

CH Why? Why do you think that it was Republicans that would be more likely supportive of a sales tax than Democrats?

VA Oh, that's hard to tell. Everybody would have their own reason. I would suppose the Republicans feel that everybody ought to pay something for government, or most everybody. When I say that to you, I don't recall any of them opposing eliminating food and drugs from a sales tax, which would be the one that - a lot of people would then escape pain. I never objected to that. But everyone should make a contribution, or most everyone should make a contribution. They keep talking about the three-legged stool, and so it's balance. Lower property taxes, which has always been part of the picture, lower the top rate so economically we could do better in the state of Oregon. Economic development, I should say. For those reasons, I presume, and those would be basically, I think, acceptable to Republicans.

The Democrats claim to be for the little guy. We don't want to tax them. That's about where I stop with them. I'm not sure they had any real philosophy in terms of - I think they weren't necessarily enamored of reducing taxes because they wanted to spend more money. And this is not really partisan. The Democrats, they will agree with what I've now to say, because I've had discussions with my Democrat colleagues. The Democrats are more willing to have government do something, and Republicans are less likely to have government do something. If you're going to have government do something, you've got to have money to spend it on. So that's basically where they come from. I suppose that would be, if I were to write it - I'm sure everybody had their own reasons for it, but, by and large, what I just told you would crop up most often.

CH I notice that the paper had said that Representative Fred Meek from Portland, a Republican, attempted unsuccessfully to introduce a sales tax measure in the house, and Walter Pearson, a Democrat from Portland in the senate, which died in the house tax committee. So that would have been right in your domain.

VA Well, I told you that when I finally made the press - I didn't get in the press very often - where I chastised Pearson for saying this is what's going to happen. One man is not supposed to be running this legislature. So I got in the media there for chastising - this little freshman legislator chastising the big senate president.

CH I understand, then, that there was a compromise that was reached that called for an estimated 9 percent increase in the income taxes, with a reduction in the rates. So there was - going back to what you were referring to as the 9 percent, it would have been reduced maybe to 4 percent had they had a flat tax rate, but in what was finally - what was the final reduction, then?

VA I can't remember, I honestly can't. Now we're getting into some details. I do remember some things, but I don't recall how we finally concluded.

CH I notice that the legislature also gave final approval to easing of the taxation on capital gains.

VA Yes. That was interesting. That wasn't in '59, was it?

CH Well, you know, that's what I've got here. Could that have been in '61? I've got it here as '59, but...

VA Well, it might have been '61. I'll tell you though, it was interesting to try to work that through Clarence Barton. We were working on this capital gains, and he was opposed to the whole idea. Again, you know, here we were going to do the wealthy. You know, you can't help the wealthy. At that time, Tektronix had, and they had for quite a long time, a very creditable, I'm going to say lobbyist, but actually it would even exceed lobbyist from Tektronix that was kind of watching what was going on in the tax committee. Don Ellis, his name was. Very highly regarded by - and he was very effectual and he was nonpartisan. I was talking to Clarence - and this wasn't going anywhere - and I said, "Clarence, Tektronix has profit-sharing, and we're not talking about the wealthy people, we're talking about people that would retire from Tektronix, they'd get their profit sharing, and they have to pay the tax on this whole thing at one time. Now, if you apply a capital gains, then at least it follows the theory that you made it over a period of years, you didn't make it all in one year. And I think that prevailed with Clarence. I think that's when he finally said, Yeah, that may not be a bad idea. And, yes, I remember that.

[End of Tape 5, Side 1]

Tape 5, Side 2

CH This is an interview with Governor Atiyeh. This is Tape 5, Side 2.

I noticed in the articles from the paper about this term that it said that Governor Hatfield was faced with a revolt by Republican legislators who appeared to go along with the Democratic plans of no new taxes, and that included Joe Rogers and Vic Atiyeh, except for a tobacco tax to be referred by the people. So maybe you could tell me a little bit more about that.

VA Not a great deal. I will tell you that we highly regarded Mark Hatfield. We made sure we understood what bills he was supporting, we all knew what they were, but we still felt independent. This was the legislative branch of government, and he would do his thing and we would do our thing, and so it was an issue-by-issue situation. By revolt - I guess those are good media terms. It wasn't a matter of uprising against the governor. However, that seems to be the practice. I can recall my first term as governor, and right after the session was over and several Republicans had indicated they weren't going to run for reelection, the media came to me and said, Isn't that going to make it a little difficult to get a Republican majority in the house, with now vacating seats that incumbents probably would win? And my answer to them was, Well, the Republicans didn't help me all that much [laughter]. I guess Mark Hatfield would have said the same thing. We were too independent, but still reluctant - I think Republicans are generally reluctant to raise taxes. They're more inclined to reduce taxes, and I think we've got an understanding in that regard that that is stimulant for the economy.

CH In this case, however, it seemed like, according to the slant of the article, that it was the Democratic plan for no new taxes that the Republicans were going along with. Was it