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Tape 61A, Side 1

June 11, 1998

CH ...Governor Atiyeh at his office in downtown Portland, Oregon. The interviewer for the Oregon Historical Society is Clark Hansen. The date is 6/11/98, and this is Tape 61A, Side 1. ~~Like, Tape 63~~

We were talking about timber relief.

VA Yes. But, basically, we were talking about the timber industry and the beating they've taken and where we would be today. We were talking about at that time - and that was a salvation. Again, we were able to manage and stave off, at least, disaster - and I consider what's happened to the timber industry a disaster - for some period of time, and it was necessary at the time.

But it comes back, again, to when I kept talking about economic development. People think of that as some kind of an abstract term, but to me it meant jobs for people. That's what it meant to me. I recall I had a press conference and was really ridiculed. I have forgotten what the number was, but I had a press conference stating that we had just gotten this company to open up and they were going to employ thirty-five people. And the media, you know, said, Oh, thirty-five people. What do you? - I thought that was exciting news. You know, we were losing jobs. So I worked at that, and worked at it real hard, but that, to me, was very big news, but the media didn't think much of it.

I went to Detroit on the Saturn program, and it was funny to me. The media said, Why are you doing that? And my answer to them was, Why not? Is there something wrong with Oregon. You know, I didn't have this inferiority

complex about the state of Oregon. I think they would be lucky, Saturn would be lucky, to get us. That's the way I looked at it.

In other words, I was always feeling upbeat about my state and the people in my state, and it was essential that they get jobs. And the hard part for any governor is to get it spread around the state. To me, for example, if somebody graduates from school in Hermiston, Oregon, and wants to stay in Hermiston, Oregon, then they should have that opportunity. Well, that's not always possible. I know that. And so we work hard to spread business around the state of Oregon. But, to me, people should be able to - you know, like me in Portland, I'm born and raised in Portland, and, of course, I had our family business, but others are born and raised here and they can stay here if they want to. Why shouldn't everyone have that opportunity? Well, it's not possible, but we work hard at it and try to get that job done.

CH Well, one of the remarkable things about the diversification and the economic recovery that sustained that economic recovery that Oregon went through was that it was just not - it wasn't just a Portland phenomenon. Deschutes is the fastest-growing county in the state, Brookings has one of the fastest-growing retirement communities, Ashland and Medford are growing significantly, Klamath Falls, even other places in eastern Oregon are having a significant amount of growth and very successful economies.

VA It's working. It took long a long time, but it's working, and we're getting benefits around the state of

Oregon, and that's always important to get that job done.

But, like I told you, now, Clark, is that it - the ones that have gotten all this hurrah were the ones that cleaned up the Willamette River, land-use planning. And that's the natural resource side of it, and I think that's important, and Oregonians believe it's important and I believe it's important. But I said - and I said it but nobody paid any attention - that I was going to be dealing with the human resource side of it and that I wanted to put as much excitement, as much of an aura of being just "this is really great stuff" on the human resource side. Obviously, it didn't work that way, but that's okay. The point is that that did happen and Oregonians were able to get the jobs that they wanted to have.

And Oregon has been - gosh, we've done so well. We started off with - the first Japanese company was NEC. They actually announced for Oregon before I repealed the unitary tax.

That, incidentally, was a very significant event, more so than anybody really appreciates. The Japanese companies had kind of bound themselves together, and they were not going to go to any state that had the unitary tax, all the big companies. And we talked to NEC and they were really interested in Oregon, and we showed them - first of all, I told them I was going to work to repeal the unitary tax, but we showed them how they could avoid the unitary tax - this was through our Department of Revenue and Rich [unclear] - for a period of, I think it was, three or four years. So that gave them - and they announced, but the announcing was - first of all, we had not repealed the unitary tax, and they broke away from the other major companies that said, We're not going to go a state that has a unitary tax. So I

always feel a real soft spot in my heart for NEC. They took me at my word, they trusted me to get the job done, and I did get it done, and they all followed: Fujitsu and Seiko Upson[?], and now, gosh, we've got a whole lot of them. But the important thing is that they came here to create jobs, and Oregonians got the jobs.

Interesting. Labor said, Oh, we've got these low-paying jobs. I said, "Well, my responsibility is to create the jobs. Oregonians can decide if they want to apply for them. They don't have to apply for these low-paying jobs." I'm effectively saying to the union, Hey, whatever the pay is, it's a lot better than nothing.

CH And I'm sure a lot of Oregonians did apply for those jobs.

VA Well, sure, they did. That's what happened. And they really weren't that low paying. Well, maybe they were low paying in regard to eighteen or twenty dollars an hour, but those jobs didn't exist anymore. They just weren't there.

Anyway, now let me - unless you want me - I've got some interesting things here. I think I've told you, in our history, meaning Oregon's history, we had eight special sessions for the sole purpose of rebalancing the budget. I called half of them, four, three in one year. You don't really need all these.

CH Well, I know that we have talked about some of this, but it's good to recap and review.

VA At this point in time, although I think this is going to change, I'm one of four governors who served eight full

years.

CH The others being, what, Mark Hatfield...

VA Mark Hatfield, Tom McCall, and Onoya[?], I think, way back at the turn of the century. But I think that may change [laughs].

CH [laughing] You're referring to John Kitzhaber.

VA Well, I don't want - well, it's not going to be published before the election anyway.

CH No, and - go ahead.

VA I think, unless I - you know, I think you gave me a good opportunity to blow my own whistle. At least what I've given is a - clues for anybody who wants to find out what the Atiyeh record was like. But I must tell you that - I must honestly tell you I'm very proud of it, and I sometimes feel - oh, I don't know. When people - I don't get credit for - you know, we all have egos. I guess mine's a little bigger than I thought it was. But I want to make sure at least somebody's got my view of what happened in the state of Oregon, and you gave me a chance to do it.

CH Well, I hope that because of this and because of this other publication that might come out that maybe you'll get a little more exposure, because now that Oregon has gone through so much of its success, maybe people will take a moment to reflect and see what the roots of that success were.

VA Oh, it may be. I hope so. I think some people know that, but not - not as many as maybe I think should.

Anyway, I can feel a little more relaxed about the fact that I had the chance - remember, I told you I - there's some tape missing, because you gave me this chance before.

CH That's right.

VA So now you give me the chance again, and I appreciate it.

CH Well, another thing that was a big effort, and I know that this has been an effort for every administration, but it was trying to find a long-term solution to Oregon's school financing dilemma. And no governor has come up with a solution for that, and it's particularly sad in light of what's happened between our last interview and now.

VA Right. It was interesting, Clark. I had saved what I called my as-delivered speeches, meaning - not all of them, but what I call important ones, and - oh, and I had them bound, actually. I've got them bound in three volumes, leather-bound. It looks nice. As I read through them, how many times to the legislature and state of the state and I've talked about property tax relief. It amazed me how many times it showed up, and particularly after the last defeat of a property tax limitation, which was very narrowly defeated. And I said that this is our last chance, the last chance people are going to give us.

Although they, however, accused the legislature of not having done anything, and that's not true. There's been many proposals sent to the people by the legislature and by

governors, and the people say, Well, we want to have some changes, but not this one. Now, what - well, it turns out they wanted Ballot 5, which I think was a serious mistake. But, you see, that one, see, did the - I call pandering; pandering in the sense that it appealed to the people that wanted property tax relief. And that's why I called for it, and that's why we kept working for it, and we knew there had to be property tax relief.

CH But you're saying it wasn't a balanced solution.

VA That's right. But it wasn't the other answer. And most of them failed because there was the other answer, which was obviously a change in taxes. But they said, Well, I don't want that one; or, I don't trust you to keep it that way. It was interesting. As I would make speeches before - and particularly with the tax plans, and I said, And it's locked in the constitution. The interesting part was, I began to realize that people didn't understand what that meant. I knew what it meant; meaning the only ones that could change it were the people of the state of Oregon, if it's in the constitution. So you had to explain to people. When you say that, you couldn't just say it's locked in the constitution, you had to explain to them that the only way it could be changed is they had to change it, and then you say it's locked in the constitution. Well, those things you learn as you move along.

CH Well, Hiakawa said that your not vetoing the tax relief package of 1979 and '80 was the decision that would haunt you most. Is that true?

VA Oh, I don't think it haunted me the most, but it did haunt me. And it haunted me in the sense that - let me go back to what happened. In the development of my first budget I - let me - I'm going to use the word "saved" \$600 million. Now, what that really meant was, in the past the governors would say - the accountants would say, For the two year period of time you're going to have a thousand dollars. And so then the legislature meets, and they budget up to a thousand dollars. Well, what I did was, I didn't do that. I budgeted it up 600 million - in this case, \$600 million short of what we predicted was going to come into the state of Oregon. My proposal was to return that to the taxpayers. Heaven forbid. [laughing] What an awful thought that was.

So then the legislature took that and created the property tax relief, the homeowners' and renters' relief program, or they gave this to the property taxpayers. Well that, first of all, gave money back to people who didn't need it, obviously. Everybody got that, everybody got that, and a lot of people didn't need it.

And so it was kind of a millstone around our neck for many sessions, the whole idea of returning this money to the - that's the part that bothered me. I say if I had vetoed that - but why I didn't at that time was that that was the only property tax relief program that was around. There was no other, I didn't have any others.

CH Well, what about the idea of having a rainy-day fund? I mean, if we'd had a rainy-day fund before going into the recession, do you think that that would have helped us at all?

VA No. First of all, I don't believe in rainy-day funds.

I don't believe in them. That's why we have special sessions. And so if we've got the money and we need to use that money, let's use that money, let's not put it in mothballs, which, effectively, that's what you're doing. It's not out there helping anybody. And if you've got an excess, give it back to the taxpayers. They pay too much. This is what's in my head. Others don't believe what I'm telling you. And so I don't believe in a rainy-day fund, I don't believe in it at all, because, as I say, you can always call a special session.

Now, we effectively have, although it's a small one, a rainy-day fund, because you always have your budget, and you leave an ending balance. You have three items: You have the budget, you have money to appropriate to Ways and Means, or the Emergency Board for something that will happen in between, and then an ending balance. And the ending balance is supposed to be this Linus' blanket, but it's never a huge amount of money, it's just some money, and you can use some of it.

CH And that's used by the Emergency Board, right?

VA No. That would be in case something goes haywire, and then I'd call a special session, and I could use some of that money. So, effectively, it's a small rainy-day fund.

[laughing] The interesting part was, I was on the Emergency Board once, and so I asked the unforgivable question. When the agency would come and ask for some money, my question was, What's the emergency? [laughing] Well, you're not supposed to ask those questions, because agencies had figured out it was a lot easier to get money from the Emergency Board than it was from the legislature,

so they'd wait till the session was over, and then they'd come - there was no such thing as an emergency, or very rarely. So I was only on it one time. [laughing] I was never reappointed to the Emergency Board.

But I don't believe in a rainy-day fund. And, as a matter of fact, Gordon Smith had this deal for education, you know, we put money aside. I think it's a tragedy to do that, I really do. I think that - that it was one or two things. You use it because it's essential to be used for state government, or, if you've got too much, you give it back to the taxpayer, because you start over in two years again, only two years away. Or, if something happens in between, as it did during my administration, you call a special session.

Well, apparently that's too simple an answer. Anyway, that's how I feel.

CH It's like all those legislative measures that are passed with the clause that it's an emergency. Not for the Emergency Board, but just in the regular sessions of the legislature. I think that's so that it would be immediately applied, is that right, or immediately...

VA That's right. It becomes law right after the session. Other than that, it's ninety days after the session it becomes law. So what you actually do is - these are mostly Ways and Means bills, and the reasoning for that is that the new biennium starts July 1 of that year, so you have to have it available for the new biennium. June 30 is the end of a two-year biennium, and July 1 starts another two years. So the legislature meets from January to whenever of the new biennial year, so that's where it most often appears.

CH Since the legislature very rarely ever adjourns before the end of June now, even though it used to, but it no longer does, would it make any sense to move the fiscal year, then, up to what the federal government has done, by the beginning of October, so that there's no pressure on the legislature to get these Ways and Means bills through before the end of the session?

VA Well, two things. First of all, I don't want to take pressure off the legislature, so my answer would be no, I keep the pressure there. But Congress does some funny things. I mean, they don't even feel pressure. They either won't pass it or they'll pass kind of a continuing resolution of some kind. And they can print money and do all kinds of funny things. But, no, I would just keep the pressure on, keep it there. It's important to get that job done and get it out of the way.

CH I think it was Harry Boivin that said to me that they should just have a mandate that the legislature meets for no more than ninety days, or whatever, because they'll get whatever they have to get done within that period of time. They'll just be a little more efficient about it.

VA Well, Harry's right [laughs]. I've said - it's fascinating to me over the years that the state of Oregon lives just perfectly peaceable for eighteen months, and then the legislature meets, and everything is wrong with the state. So then they've got to put all these bills to cure all these terrible things that have happened. Then they go home, and everything is perfectly peaceable again. [laughing] We live another eighteen months perfectly happy.

CH [laughing] Maybe it would be better not to have the legislature at all.

Anyway, I know that you've had some negative feelings about Goldschmidt because of some of the things that he's said that were critical of you, but one thing he did say was, quote, The thing you've got to remember about Atiyeh is that he was elected by the greatest margin of any governor in modern times.

Not that this is necessarily an accomplishment of yours, but it's still a sign, even though people may not give you credit for some of the things you've done now, at the time you were reelected they were giving you credit then, and during a very difficult time when it would have been very easy to kick an incumbent out of office.

VA That's a personal pride for me. Actually, one of the reasons that I feel the way I feel - and let me tell you what that is. I've said to anyone that would listen - I have said this to the Republican caucus - that the most political thing you can do is to do what you think is right. Very few politicians, Republicans or Democrats, really believe that. I'm sure some of them would resent my saying it, but they don't. You know, what is it that they want? What should - what do the media say? Where is the pressure coming from, you know. All those kinds of things. I believe that people value honesty, integrity, openness, fairness. They value all of those things much more than whether they agree or disagree with you on an issue. I believe that. And if we - and why am I influenced?

In 1982 is when we hit the bottom of the recession, so we had - this is my reelection year. We had 12.6 percent unemployment in the state of Oregon. In 1982 I called three

special sessions to rebalance the budget, all of which included either cutting budgets or adding revenue or both. The last of them, in September, was the most controversial. That's where I took the State Industrial Accident Fund money. Very controversial. I'm running against a Kennedy-type, charismatic newcomer. You know, this is the comer of the Democratic party. Nice - a nice fellow, a good man. I like him. And history will show he's served the state very well. But here I am, this stodgy, noncharismatic guy. Election day was an absolutely beautiful, sunny day. All of those things are on that election year, 1982. The AFL-CIO didn't support me, OEA didn't support me, state employees didn't support me, the Women's Caucus didn't support me, and I won by 62 percent. Now, of course, when I say all those that didn't support me, that's the leadership, which means that the people in those groups obviously did. Of course, that's the way I've always felt.

I told you early on, do you remember, you don't just say what you think they want to hear, you tell them who you are, and then you go ahead and do it, and if they elect you, fine, and if they don't, okay. So I'm very much in that mode. And that's why I see politicians today - you know, just tell the people the way it is. People are not stupid. For example, when I called the special session to rebalance, they know we're in trouble, they know we have to do these things. So they said, Yeah, I know we have to do them, and he's honestly telling us what we ought to get done. Maybe I don't agree with the way he did it, but I understand what he's doing and why he's doing it, and I value that more highly than I do whether I agree or disagree. So I really believe that. So I'm proud of that, I'm proud of the fact that that's the way it came down.

Poor old Ted, he was a speaker that - it was some event where I was, [laughing] and part of the introduction is, you know, And he won the election in 19 - by the biggest margin. And Ted says, you know, Why do we have to say - he's the speaker. You know, why do they have to keep bringing that up?

CH Well, you know, it's interesting in that, you know, my discussions with Bob Packwood about this he said that Ted was probably the toughest opponent he's ever had because of his aggressive style of campaigning, and you had the same opponent, and that's the margin you won by, so it's - it is remarkable.

VA That's good. Well, I wish other politicians would take a leaf out of that page and conduct their service in that manner.

CH You know, one thing that John Kitzhaber said - and, of course, this was long before he was governor - was that, quote, It was one of the high points of his governorship, having the political courage to reverse twenty years of opposition to a sales tax, end quote. And that was a remarkable achievement in that you had been so vociferously opposed to a sales tax, and that you were able to - you know, you were talking about politicians being honest about the way they feel. Well, most politicians will not reverse themselves, regardless of whether it makes sense or not. And for your having done this, it is a rather remarkable achievement.

VA Well, yeah, that's right. It's hard for me to kind of

pinpoint it. I have always been - well, I am. I haven't tried to be something I'm not. I did believe for a long time about the sales tax. I studied it, I worked hard at taxation. I told you earlier, I worked on the bill. In case it ever passes, it's got to be a good one. This, however, was not just the sales tax, although that's the way it came out. This was a tax package which, in my way of thinking, was the best tax package I ever saw. It did include reduction of the income tax, it did include property tax relief. You know, all those elements were in that package. It was a good one. But the people saw a sales tax, and they, you know, automatically [sound effect], they turned [several words unclear]. You know, that's all you have to say is sales tax. You don't have to - that's all you have to say. So it failed, but that's why I did it.

But, you know, I got into, I'm going to say, trouble with, sometimes, my business friends, who were just down on me something awful. But, you know, I knew what I was going to do, I knew what had to be done, I went ahead and did it.

You know, I see so many just - back in Congress they always - or the president appoints a task force. That's a lot of nonsense. I've got a problem, I've got something to deal with. Go do it.

CH How do you feel about the prospects in the future, since the sales tax, since you left office, has failed a couple of times more and we're still in the same dilemma with our schools? What is your prognosis on that front?

VA I can't see where the people are going to pass a sales tax in Oregon. I don't see any future for it. They still don't believe there's a real problem, generally, out there.

I've talked to Barbara Roberts several times, and I was effectively saying to her - because she came in right after Ballot 5 had passed, and I said, "Barbara, you've got to explain to Oregonians that there's a problem out there. Until they really believe and understand how serious the problem is, they're not going to vote for anything. You can't come up with a tax plan.

My business friends said, Okay, now, we're going to send them a message. Come up with a sales tax. This was before the election. I said, I don't know what you're talking about. You're trying to tell me that if the people vote to lower their property taxes, you can come right back and say, Now that you've lowered your taxes, would you vote for this handy-dandy sales tax? They're going to say you're crazy.

So they've got to understand that there's a problem out there, and if they do understand it, Oregonians will respond.

CH Well, in fact, she did back off, didn't she?

VA Well, but that's not the point. The point is that she didn't explain to them first that we've got a problem. You can't say, We've got a problem; here's my solution.

Yeah, she did back off, but the point is, you've got to explain first to Oregonians that we've got a problem. Then you can say, after they believe we've got a problem - and they do not yet believe that - then they'll vote to solve it. They're smart enough...

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