

VICTOR ATIYEH

July 9, 1993

Tape 45, Side 1

C.H.: This is an interview with Governor Victor Atiyeh at Atiyeh International in downtown Portland, Oregon. The interviewer for the Oregon Historical Society is Clark Hansen. The date is July 9th, 1993, and this is Tape 45, Side 1.

Do you want to begin with a discussion about the economic base?

V.A.: Yes. Well, when I - well, I should start another way. Having been in the retail business - well, for all my life until I was really an elected governor - you get really a kind of feel of the economy of Oregon, because obviously that relates to how our business is going to be. And I became really painfully aware how narrow our economic base was. It included the timber, agriculture, and to some degree, although struggling, tourism.

So as we've talked earlier and I've said many times before, I persisted in terms of economic development. And we talked about going to Japan, I spoke about the high-tech companies that we had here, but we worked very hard on it.

One of the real successes, and genuine and permanent, is the fact that we expanded that economic base. Timber, agriculture, full-blown tourism, and we spoke earlier about the Tourism Advisory Council and how we pulled them all together, and then it really began to click, and click very well. We added to Tektronix, which was really the ^{YEAST} east, as I call it, in terms of high technology.

Intel had come in before I was governor, but then we had Hewlitt-Packard. Intel before I left said they were going to do

all their expansion in Oregon, but we then added of course NEC, we talked about Fujitsu, both America and Microelectronic, Seiko-Epson, and since then, others have come.

And we talked about my travels. You asked about what's the value of the Middle East, for example - or you didn't, but it was speculated in the media. And to the Middle East and then the Far East, but we added international trade. The measuring stick was when I became Governor, one in nine jobs related to international trade. When I left office, one in six. So we now have pillars - or foundation stones, I should say, to the economic base that we didn't have when I went in.

But it was one of those things I persisted in for eight years. I knew what I wanted to do, how I wanted to get it done, how I wanted to kind of clear the decks to make it happen. The real signal was that during the recession that we had, when the country was in recession, where typically Oregon would have taken a nose-dive, because I'd seen it happen, Oregon remained under the national average for unemployment all during that period of time. I was reading the newspapers and the economists would say we're doing well because the diversity of our economy, and I'd kind of smile to myself. So that's what we were trying to do.

I would say that if the timber industry weren't so beleaguered right now with spotted owl and old growth and all kinds of things, that the economy of Oregon would be absolutely booming. As it is, it's doing okay. We're about or maybe slightly over the national average, we're certainly not in any kind of recession, but we've been really battered on the timber industry side of it. Had we not, however, expanded that base, we would be in deep, deep trouble.

C.H.: Do you feel that you've gotten the credit due for having expanded the base?

V.A.: No. There's a lot of things that we'll finally recap that I want to talk about, but you know, we didn't put all the fanfare and bedecked with flags and loudspeakers and all the rest of that, we just knew what had to be done, we went ahead and did it. So there's a lot of people, you know, really don't recognize that - I mean, they know what's here, they know what happened, but they're not quite sure how it happened, just sort of osmosis.

Sometimes, you know, I really believe, truly believe, that the theory that I expounded, you just can't believe how much you can do if you don't care who gets the credit. I believe that. Which is kind of hard for politicians to do. They want to get credit for what somebody else did. But, you know, I just believe that, you know, as I say, this is good for Oregon, let's go do it. That's my satisfaction, that's my personal satisfaction.

Anyway, I think I need to clearly define that because I count it as a major success of my years as governor. A lot of people talk about Governor Atiyeh did well because he managed the state in tough times. I'm proud of that, but that's all they mention. There's a lot of other things, a lot of other things, which I'm proud of and that are notable.

C.H.: Maybe in the same way that you talk about the economy of Oregon would be just extremely robust for the timber industry, perhaps the obvious effects of your administration would have been much more apparent had it not been for the recession and your having to deal with it all the restraints from that.

V.A.: Yeah, we probably would have moved faster. We would have gotten into this prevention thing we did talk about. Probably moved into higher education earlier. Those kinds of things.

But, you know, you take the times as they come and do the best with them as you can. You know, when you're working on economic development during the time of a recession, it's a little difficult. I said many times, you know, it's very hard to have a fire prevention program when you're fighting a forest fire, which is what the recession was all about.

C.H.: But you were putting a lot of emphasis on electronics at the time, and during the same period wasn't Silicon Valley and some of these other areas finding a change in their growth patterns and actually a withdrawal?

V.A.: Yes. Yes. Actually, early on, we went to Silicon Valley, San José, and they were having some real problems. They were having problems because they were growing as rapidly as they were, you know, holding their place, they were just moving back and forth. And they had to retrain people, and everybody's robbing everybody else, and in addition to that, they could see how it was getting congested, cost of living was terribly high, and they were looking to expand, but outside of San José.

With our proximity and direct flights to San José, and you know, all of these things, really we were quite close in a relative sense. Oregon was, I thought, a very good target for that, and they looked seriously, many of them, seriously at coming to Oregon. But they went into this recession, and then they had to start letting people go, and what turned out is that all of a sudden they found themselves with unused capacity in California. So they'd talk of expansion, but they were in retrenchment and had unused

capacity. Although as I told you, Intel had moved up and they saw what was going on, and they said their expansion will take place in Oregon. It has. For a long time they were stagnant. They built a building which they didn't occupy for I think two or three years. But now it's back, and they're growing, and they're growing in Oregon.

So, you know, I feel good about what's happened now. I said, and no one really understood, no one understood nearly as well as I did, when I left office Oregon was better positioned than any other state that I knew of, and certainly better than California and the State of Washington for our economic future. We had established a good base, it was a diversified base, we had cleared the decks.

C.H.: How was it better than Washington and California? They seem to be more diversified in some ways.

V.A.: Well, California's got some horrendous problems. They actually are in recession, and particularly the further south you go, the worse it gets. That's lingered.

Washington, I've said many times, and they say the same, the good news is they have Boeing. The bad news is they have Boeing. Now they're in retrenchment. Boeing is such a huge employer that their effect is just immediate. We have a huge employer, which is our timber industry, but it's not one company. It's a lot of companies, and some do better than others. And besides that, the cost of living was good here, our taxation method was good here, our land use planning was good, that was in place, our environmental laws were well-known and well-done. It's a good place to live.

Transportation improved immensely. We had United Airlines with one trip to the ^{FAZ (JAPAN)} ~~Middle East~~ on Tuesday, to Japan on a lousy

day they gave us, but then I went back to Washington and spoke on behalf of Delta, and Delta used us as their hub to - and now they are really doing extremely well into the Far East. So we have an international branch and good transportation.

We have a good highway system, a good rail system - not that California and Washington don't - and a good port, so we've got a lot of the structural things that are good, plus it's a very livable place and the cost of living is good.

C.H.: Previous Oregon governors and the federal delegation have been very leery about federal installations in terms of military and things like that in Oregon, and yet some states have found that's been a good way to diversify in that they have sort of a balance to their economies. How have you felt about Oregon's aspect in terms of federal installations?

V.A.: I never really sought that kind of thing. You know, if it had come, that would have been fine, but it wasn't anything that I worked for or tried to get, because you know I realize that tide comes and goes, and if you're so heavily dependent, certainly on military, you know, who knows if that's constant? The military budget's constant in being attacked by a lot of people.

So I wasn't - it wasn't anything - to me it was kind of transitory, really too, too thin a reed for us to hang our hat on. So it wasn't anything I even tried to get. Actually, part of California's problem, particular Southern California, is that they were so heavily dependent upon the military, and it's a severe cutback from all these huge, huge companies, you know, and now are quite small if they exist at all. That's thousands of employees. So they got hit pretty hard. So we have the advantage, I guess, in

this case, of not having it. And I think that's okay because I have no problem with that.

C.H.: What other areas aside from the expansion of tourism and electronics and maintaining our agricultural base were you looking at in terms of expanding our economic base?

V.A.: Nothing, really. I do believe that Oregon is a good place for headquarters for companies, particularly as communications improved so vastly. Where one is located really isn't important anymore.

C.H.: But we have an income tax and Washington doesn't.

V.A.: Oh, but they have business and occupation tax from businesses there, whether they make money or not, they pay a tax.

C.H.: But corporate executives would probably prefer with their high salaries not to live in a place that had income taxes, or high income taxes.

V.A.: Yeah, that's true, and yet on the other hand, you know, we can go back and forth, because I've done this comparison, particularly of recent years. The executive can deduct their state tax from their federal tax.

C.H.: Still?

V.A.: In Oregon. But you cannot deduct a sales tax. So they would be buying and spending over there and paying taxes, none of which they can deduct. So it's a gross payout. These top executives with large salaries are probably taxed at the rate of about 40 percent, so effectively the federal government's paying 40 percent of their state income tax. It's not a bad deal. But you know, there are comparisons back and forth.

I'd said earlier that Oregon - maybe I didn't, I was telling somebody else this story. I watched Oregon in Commerce Clearing

House. In other words, this is not my figure, it's Commerce Clearing House's. And they would measure total taxes, not one tax, but total taxes. And Oregon always rated much lower than most of the western states. Maybe Idaho would be lower than we would at times, but of the eleven western states, including Nevada, Utah, and New Mexico, and Arizona, it was their figures, Commerce Clearing House.

I've seen repeatedly, whatever they call it, the Washington Association of Business, whatever that's called, and they're complaining about their tax and tax system. And you know, if they're going to come here and build something, what if they go to Washington and build something? Everything that they buy to build that building, lumber, windows, cement, electric, whatever, they pay a sales tax for. In Oregon they don't do that.

As a matter of fact, in Oregon we've got a statute that would indicate that until you're up and actually running, you don't pay property taxes on - that would be the building, you'd pay on the property. We passed that a number of years ago. So you don't pay any property taxes till it's up and going.

C.H.: Of course, part of the growth of Vancouver has been in the fact that they've been able to, you know, encourage people to settle there so that they wouldn't be paying high property taxes or income taxes, and yet could buy in Oregon and not pay the sales tax.

V.A.: Well, I would say to you that there really isn't any green pasture. I'm not saying Oregon's a green pasture, but I'm certainly saying to you that Washington is not a green pasture. There is no such a thing. But if you sit down with pen and pencil, you will figure out that it's better to be in Oregon than it is

Washington. Now, you compare one thing or another thing, you know, one on one, but I'm saying total package. Let's look at the whole package, not just a piece of the package.

Yeah, Vancouver's done very well, and what we've done in Oregon has been one of their selling tools. They're right next to the Portland International Airport, and that's a good deal. They have all of the cultural attractions by crossing the river, the Performing Arts Center, our Historical Society, our museum, you know, all those, you count it, Japanese Gardens and all. That's right here. And it didn't cost them a nickel, but it's certainly part of their package. I would hope it would be. So what we have has been an asset to Vancouver.

And that's okay, I don't mind competing. I think we can with someone that sits down. You know, you figure out why did - ? Well, Fujitsu Microelectronic, and I picked them because they have a very, very expensive installation. Not just the building, but all of the equipment inside to produce silicon chips, that's very expensive, I've forgotten how much, it was a sixty, seventy million dollar operation to get this thing going. Why did they come to Oregon? Why did NEC come to Oregon? We're competing with Washington, you understand.

I know why ^{KYOCERA} [indiscernible] went to Washington. I know, because we had not yet repealed the unitary tax. Had we done that, they'd have been here. And I know that by personal conversation. So we can continue to make those kinds of comparisons, and we don't really have time for the tape, but the point is that while we were working with these companies, we were in competition with other states. And we were successful. And it wasn't because they like Vic Atiyeh. They're coming because they want to make money, and we

have a very good work force available, very loyal, meaning low turnover, very productive, which means that if they're assembling products, when it comes into line, they don't kick it out. Those kinds of things are all an advantage to a manufacturing company.

Now, you asked about other things and I said no, except that didn't happen, but I said to myself, "Well, there's no reason why we couldn't be corporate headquarters for a lot of companies." I did try, although now we're getting near the end of my term, I'm thinking to myself, "Pharmaceuticals would be good for Oregon. Certainly with our Health Science Center and all the things that have happened since then, with Mark Hatfield and the scientific research that's going on, which is really world-class stuff, pharmaceuticals would be good." But we never really pursued it.

But I do want to say one thing. I know enough about business to know that although we talk about small business - and of course I'm a small businessman, and I would tell you also that small business employs more people than any of the large companies - the thing is that you do need the original wealth of a large manufacturing plant. That's the original. And I sort of call myself a camp follower. I'm going to be there, in the sense that, you know, if I've got a market - for example, in my case, rugs and carpets - I'm there. The drugstore's there, the grocery store is there, the shoe store is there, you see, but you have to begin with - you know, you can't have small businesspeople doing business with small businesspeople, that's not going to get you anywhere. You have to have this manufacturing thing to generate something, and then we, small businesspeople, we're sort of camp followers. And all the rest follows. So I knew that you didn't really have to work on that end of it, it was going to come. Stationery stores, greeting

card stores, hair salons, name it, keep on going. But you have to begin with this manufacturing base, and then the rest comes along with it.

C.H.: Well, shall we go on?

V.A.: Yes.

C.H.: The last legislative session in 1985, the legislative session, the sixty-third assembly which ran from January 14th to June 21st, 1985. Actually, now that I look at it, that's kind of a shorter legislative period when you think of ...

V.A.: When you think of certainly this one which is not over yet. We're at July 9th, they're going to go till near the end of July.

C.H.: But they've had others that have gone just as long.

V.A.: Yeah, but I think they're going to break the record that they had while I was there. They had the longest legislative and the shortest special session while I was governor.

C.H.: What do you attribute that to? This session, why is it taking so much longer?

V.A.: Well, they just don't know quite what to do. I was reading this morning's paper: now the revenue committee's kind of shifted gears. Well, this is about the third time they've shifted gears. Which also tells you we're not sure what to do. You know, "Well, we'll try this. Oh, that isn't going to work. Well, let's try that. Well, this isn't going to work." And each time, they spend time at it.

C.H.: What do you attribute that to? Is it the leadership, or ...

V.A.: There's generally a lack of leadership. Generally, and I'm speaking now of the Governor's Office, because the legislature

has to have some bone to chew on, and there really isn't any bone out of the Governor's Office for them to chew on. You know, "I don't like this, what the Governor's planned, so this is the plan we're going to deal with." But at least some bone to chew on.

C.H.: But didn't she have a special legislative session just to give them a bone to chew on, and they rejected it? I mean, we could talk about that later, but ...

V.A.: That was dumb. Yeah, we'll talk about that one later.

Also, this session did something that has never been done before, at least to my knowledge, but the House and Senate no longer are in a joint Ways and Means. They used to be joint Ways and Means so that effectively the Senate and the House heard budget bills at the same time, and so that when they went through one body, the Senate already had heard the same thing. So they moved rather quickly.

That's not the case now. The House is having their own hearings and the Senate's having their own hearings, and they're going to come to different conclusions, and they're going to have to go to conference committee. That delays a session. Plus the fact of the continual deterioration, I would call it, of experienced people in the legislature, unable to make decisions, not enough background to know how to make a decision, worried about their re-election so they don't know what decision to make, all of that contributes to a long session.

C.H.: In the '85 session, we had Vera Katz as Speaker again and Larry Campbell in the minority as far as the Republican leader, and in the Senate we had John Kitzhaber as president again. How did you look upon their leadership?

V.A.: You mean Katz and Kitzhaber?

C.H.: Kitz and Katz.

V.A.: Yeah. I thought they did a good job.

C.H.: And you worked with them pretty well?

V.A.: Oh yeah. That obviously doesn't mean agreement. It was a lot better than Karens and Fadeley, a lot better.

C.H.: Was that the last session, Karens and Fadeley?

V.A.: I think it was.

C.H.: Yeah, I think you're right, so maybe this was the first that they were both together, then. But even though they were both Democrats, you worked with them pretty well?

V.A.: That didn't really make any difference. My interest was what's good for Oregon. I say both privately and out loud, this is not a game, and so many of them treat it like a game. Whatever we do or don't do is going to affect Oregonians. And so it's not a game, it's not a game for me to play. I mean, I'll be a partisan when it comes election time, but when we start dealing with laws or laws not passing, that's entirely different. It's not a game. There are real human beings that are Oregonians out there, and what we do or don't do is going to affect them, and that's the way I always looked at it. So whether they were Democrats or not didn't really make that much difference.

C.H.: In your 1984 State of the State address, you brought up several things that you were trying to accomplish. One was a proposed reduction in the state's personal income tax.

V.A.: Yes.

C.H.: And then, of course, the unitary taxes we've already talked about. And then also you repeated your support for legislation now before Congress that would establish a Columbia River Gorge Commission.

V.A.: Yes.

C.H.: Where was that going at the time? It was before Congress, but how did it look?

V.A.: I should look it up in terms of timing. You're talking about the Gorge now?

C.H.: That's right.

V.A.: Okay. I'll tell you the full story of that one. That actually began way back at the very beginning in 1979.

I have a great deal of personal affection for the Gorge. I think it's beautiful. I wasn't thinking about - I'm trying to get to the right terms - preservation, I'm talking more about protection. And the difference in my mind, so at least I'll explain it for the tape, is that there are businesses there and there are people living there, and it was not my intention to run them out of there, [but] to allow them to continue to live, to make a living, and to grow. But it was a matter of protection to legislate, so there would be some orderliness to whatever occurred.

Oregon had done, because we had our land use laws, had done a really good job. The real problem was getting the attention of the State of Washington. The State of Washington had one beautiful view as they drove up their gorge, but we're looking to Washington, and they're looking to Oregon. We're looking on the Washington side. But they really didn't have that much interest, and certainly the real population center is Seattle, a long way from the Columbia River. A lot of them never have seen the Gorge and they couldn't care less about the Gorge, and you get to Olympia and that's still quite a ways from the River.

So, to get Washington's attention, to make them think it's an important thing, was not an easy thing to do. I have to remember

when - but I persisted because it was something I wanted to get done. And finally I did get an agreement from Governor Spellman.

So now we have done something that was important to do, and Governor Spellman and I signed an agreement as to the general framework for Gorge protection. It wasn't a definitive bill, but this was a framework. That, then, got the attention of course of the Washington delegation in Congress, and certainly helped the Oregon delegation in Congress.

So now we have the two states that are involved, Oregon and Washington, going down the same track. So that was the real kickoff for this thing. There were a lot of people that worked on the Gorge bill. Some of the environmental folk, you know, were just wild. As a matter of fact, I had some arguments with them, and they really wanted to lock up the Gorge. And I told them, I said, "You persist this way, we're not going to get anything." And they got mad at me about that.

But the fact is that it did finally move and it moved through Congress, it got quite a bit of attention locally on both sides of the River, by those that didn't want anything to happen and those that wanted to lock it up, and we had to get somewhere in between those two.

Mark Hatfield was really the real prime mover that finally got it going, and it finally passed Congress.

[End of Tape 45, Side 1]