

VICTOR ATIYEH

July 15, 1993

Tape 46, Side 2

C.H.: This is an interview with Governor Victor Atiyeh at his office Atiyeh International in downtown Portland, Oregon. The interviewer for the Oregon Historical Society is Clark Hansen. The date is July 15th, 1993. This is Tape 46, Side 2.

So here is the Oregon balanced tax plan. This is the cartoon book. I'm glad you got this out for me because I've got here somewhere in my criticisms of your campaign a criticism of this book, and I'd never seen it before and it looks like a coloring book. Basically it looks like a cartoon story.

V.A.: It tells you what the plan does and doesn't do.

C.H.: What was your response to this?

V.A.: Pretty much like the public response. Mine. I liked it. If you meant the public response -

C.H.: I figured you liked it or you wouldn't have done it. And there's an envelope in here for People for a Better Oregon. This is with the campaign committee for supporting the tax measure?

V.A.: Yeah. But you know, you remember I told you how difficult it is to get people's attention, maybe this was a way of doing it. A lot of people like comic books and read them. Anyway.

C.H.: How many of those were distributed? Thousands?

V.A.: Oh, I don't know. Somebody ran across one. I think <sup>LAKE-MILES-</sup>Lanemaw Standish did it and he came across some copies and gave them to me. I've got three or four of them. But that's it. The interesting thing was that after this was all done Travis Cross

(A CAROLAN) BOOK AS A CRUISING TOOL FOR WAINWIG MORSE)

came across and he sent to me, because it was ridiculed, I'll mention it when you get there.

C.H.: The Legislative Revenue Office said a study by them of your plan would cause a substantial shift of the tax burden onto individuals and away from businesses. Was that really said, there was \$169 million less for <sup>BUSINESS</sup> billion and it would mean \$184 million more for individuals, and this could be alleviated by allowing for some of the sales tax to go to income tax relief, which you were opposing at the time. Didn't that come out again too in this last election there was a -

V.A.: No, they<sup>25</sup> was a split, what they call split rule. That was on property taxes. There really wasn't any design. Incidentally, let's talk about that for just a moment. When we talk about taxing business that really is a fairy tale because you don't really tax business. You tax us.

C.H.: Because they pass it on.

V.A.: That's right. Or they go out of business. It's not a charitable outfit, they've got to make a profit. And part of the expense of doing business is the tax. And so this is a fairy tale to think that we're going to tax those folks, but that always converts to the product or service that we pay. It can't help it, so when you want to tax those folks we're just taxing ourselves indirectly rather than directly.

Churchill - this was funny I just read the other day. I've got this book I've got put aside of wit, wisdom and whimsey - things I've picked up, gathered and collected over a period of time. I just ran across one I just dropped in that little book and it was Winston Churchill, and Winston Churchill says, "Free enterprise is viewed by some as being an animal that should be

shot. By others as a cow that should be milked. And very few see it as a horse that's pulling a wagon." I say, hey, wished I'd thought of that one. But that's a fact. I mean, you've got such a distorted view.

It's business that creates jobs. To say we're going to tax those rascals, we're going to pay it, and somehow people just kind of disconnect from that. But my intent was not to benefit business. That was not the intent, that was not the direction, it wasn't a matter of let's see how we maneuver around and benefit business - although it wouldn't have been bad, by that I mean reducing the load which conversely would mean hopefully that we wouldn't pay any more when we get the product or service. But that was not part of my thinking, that was not an objective of what we we're trying to do.

C.H.: Maybe you could explain a little bit how you went about trying to get consensus on this plan. Who did you go to?

V.A.: We went to the OEA, we went to senior groups, we went to labor, obviously Associated Oregon Industries, you know, trying to get these diverse groups and have them become aware of it. Clearly we had to deal with the Oregon legislature, the leadership in the legislature were very much involved in what we were doing, the steps we were taking. They had to pass it so that it would go to a vote.

C.H.: Were you ever able to convince Larry Campbell to support you?

V.A.: No, but I respect people. I can recall when the McCall plan came down <sup>with the HSTAX PLAN</sup> ~~the pipe~~ and I was opposing it. On the other hand was Jason <sup>BOB</sup> ~~Vose~~ supporting Tom McCall. But we didn't end up as enemies. Well, Tom didn't like me. But Jason and I were always

friends. But you know, I respect [indiscernible]. It was a position he believed it, and okay, I understand it. So it wasn't a matter of - I'm not one of those Don't Get Mad, Get Even kind of people. I respect people for their opinions. If I can't convince them, I can't convince them. For whatever reason, they may have ulterior or reasonable reasons. I mentioned about I think Vern Cook way back. He and I were very far apart philosophically, but I always respected him because he believed, he really believed, in what he was saying. He wasn't doing it for political reasons or anything, that's what he believed in. That was his philosophy.

C.H.: Where was he coming from?

V.A.: Oh, very liberal. Very. But that was part of his growing up, that's part of him, just like it was part my views or part of me. If the person believes it, I'll respect it. We won't agree, but I'll respect him. It's those that are doing things because they stick their finger in the air, those I have real trouble with. I'll believe it if there's more people believing it. You know, they don't really have a philosophy of their own, and those are the ones I have problems with. So you asked about Larry Campbell, it wasn't a matter of hammering on him. We were friends, we remained friends, I respect him even today.

C.H.: What about adding a constitutional spending limit for state government, and helping to alleviate the fears of leakage to other state programs.

V.A.: I wouldn't mind that. We had it constitutional all the time I was governor. We had two limitations. One was on government spending and the other was on the growth of people, employees of state government. I mentioned earlier that that never was bothersome to me because we never did get to the limit, you know,

near the top. So I have no problem in trying to control the growth of state government, just like I was trying to control the growth of local government or schools.

C.H.: What about exemptions to the sales tax after the legislative session, after the vote?

V.A.: Well, if something can be documented correctly. I can't be specific with you but you recall when they were going to tax - they did pass the bill taxing luxuries, remember? Yachts, and we're going to get those rascals, and what they did was kill off the boat industry. Well, who are you hurting, the person that's going to go buy his yacht in France or Spain or South America or Taiwan, you know, so that person can afford to do that, and so all you did was hurt the people you don't want to hurt. So when you ask about an exemption later on, if it made good sense and it was something that was a good adjustment, there's no reason why we shouldn't do it.

C.H.: In your address to the legislature when it opened in 1985, you said history will record we were no match for the paramount objective of permanently reducing the burden of local property taxes. I guess I found it interesting that it came in 1985 and it was before the sales tax plan and the vote.

V.A.: Now wait a minute. Did I say we would be or we could be?

C.H.: That we were.

V.A.: Well, I think that's a little out of context. By saying if we don't do something, then that line would follow. I'll have to go back to that speech, but I think that's probably the way it came out.

C.H.: What changes did you make prior to the final version for the ballot in September?

V.A.: I really can't remember. Before it finally passed the legislature? There were no changes afterward.

C.H.: When the vote came up in 1985, the measure failed by 4 to 1. Did you really expect it was going to be that large a ratio - were you surprised I should say.

V.A.: I wasn't surprised it failed. I was surprised it failed by that margin. I think we got 31 or 32 percent, I thought. But anyway it was large. I knew it was an uphill battle. I've been in those battles before. I probably would have been surprised but certainly pleasantly surprised if we'd won, but I'd certainly hoped we would do better than that.

C.H.: One of the criticisms was that the legislators erred in scheduling the elector for mid-September only two weeks after Labor Day.

V.A.: Again, you can find anybody making speculation on anything, I don't know. You know, what's a good day? You certainly don't want it just before property taxes, and then you get around into April or May and you got income taxes. You know, what's a good time to put a tax bill on the ballot? And you've got the Fourth of July and Thanksgiving and Christmas and Memorial Day, you know, how do you pick a good time?

C.H.: People felt that the overwhelmingly low and middle class income taxpayers were rated as losers in the plan. Was that just a misperception?

V.A.: Yeah. But again, you see that any tax plan is a clear victim for misconception because nobody is going to listen to the answer. The answer is more complex than the quick statement that

it's going to hurt you or it's going to hit the middle class or it's regressive or take a whole lot of things.

C.H.: How did all these other states pass sales taxes in that case, or did it just not come before the people in most of those cases?

V.A.: I don't know, it's hard to tell. You just go to Washington. Washington has a sales tax and no income tax. They tried to get an income tax, they can't get that. We got an income tax, try to get a sales tax, we can't get that. All I can tell is Oregon, and I finally figured out that we've got two sets of people, one of which are Oregonians that really never voted for a sales tax and would never vote for one, and then we've got probably a larger number of people that have come to Oregon over the many years who come from states that have sales tax and they kind of like not putting out pennies. So you've got - it's a tough job.

C.H.: One of the reasons for its failure was suspicious of government combined with traditional Oregonian distaste for a sales tax. Was suspicion of government really a big factor?

V.A.: Sure. Sure. You know, "you guys will change it." Remember I told you, try to say no "but it's going to be in the Constitution." Try to explain to them how sacred that would be. "Aw, you'll find a way, you'll find a way to get around it." So, yeah, it's a fact that they're suspicious. And again, if they would just sit down and listen. Well, if we take it one step further back, if they would learn about taxes in school, and I don't mean personal income tax, but the actual function of taxes, what it does, how it happens, and how it occurs. At least they'd have some rudimentary understanding. As it is they don't know anything other than they'll have to write a check.

C.H.: Have people been educated at all, did you go to them to break down what services were being paid for, what benefits they were getting from their taxes that they wouldn't otherwise?

V.A.: No. Well, I proposed it from time to time, but what would really get me as a legislator and as a governor, but particularly as a legislator, is <sup>//</sup>you guys have to do something about our property taxes<sup>//</sup>. And my answer is that I didn't raise your property tax. You raised your property tax. I didn't raise your property tax. And they don't understand that the high property tax was something they did, they voted for. Well, maybe that person themselves may not have, but the majority of the people in the district where they're living voted yes.

The legislature in no way raises property taxes. Well, they would if we cut back for example significantly in dollars for basic school support, that vacuum has to be filled by property taxes. So to the extent that we sent money, it was at least that much less. But I'd say I didn't raise it. But you have to do something about it. Well, why do I have to do something about it? You raised your property taxes. They don't understand that.

C.H.: Do you think there's a lack of association between what they're paying in property taxes and all these measures that come up on the ballot, many of which pass, which add so many cents per year for such and such, for the zoo or for this or for that, Metro, and people think oh, that's a good idea, let's support it, but then they just don't associate that the total factor involved.

V.A.: Yeah. But if they would just read, because it's part of provisional law that you have to tell people the effect of. And there's a voter's pamphlet and they just don't read. But you know, this is a democracy. Way back when I said Jefferson said that

you've got a kind of government to which they're going to be entitled. Which means to the extent that you pay any attention, if you pay really good attention you're going to have a great government. If you pay very little attention it isn't going to be a good one at all.

C.H.: After all this happened after this session and the beginning of the next year in January of '86, a poll showed some dissatisfaction in terms of your own popularity, and I think you probably realized it toward the end of your term that there was some other polls and it just showed that there was a lack of popularity. I don't know whether you said it in the articles or whether you said it to me before, but I think you said you attributed part of that to the sales tax issue.

V.A.: Oh that and who knows what else. There's a saying again that I've used - Friends may come and friends may go, but enemies ~~you~~ accumulate.

C.H.: That's a very cynical ...

V.A.: Well, you see, I was talking about Governor Roberts and her favorability, and I said, God, mine wasn't that low after eight years. Because you know, you can't please the people all the time, and you're going to displease people in different quarters. Some on the sales tax, some on maybe what I would do on welfare, some on traveling to the Far East, some with how I did with the Rajneesh, you know, they're coming from different place, that's why I say - Friends may come and friends may go, but enemies ~~you~~ accumulate. I don't remember where it was, I don't think I ever really heard it. I was aware of what you were just saying, by that I mean what we call favorability, but I know it wasn't below 20 percent.

C.H.: In this same session you were seeking your \$1.4 billion package in new state bonding authority over the next few years despite projected high interest rates and previous warnings that Oregon was using its credit too liberally. A billion of that was for the Department of Veterans Affairs for home and farm loan programs and Moody's Investor Service had twice lowered Oregon's credit rating since mid-1980 citing the state's continued dependence on the forest products industry. I don't know if this is before or after the trip to New York to try to deal with our credit.

V.A.: Yeah, we tried to deal with that to try to explain what we were doing, how we were dealing with the - you know, a lot of it was also wrapped up in the recession and how we were balancing our budget, and I kept telling them explain to me, will you, here Oregon has a balanced - I'm talking to New York City and the Wall Street folks - will you please explain to me Oregon cannot have a deficit? I've called special sessions to rebalance the budget. We have a balanced budget. We do not have a deficit. And yet you're talking about lowering our credit rating. Now the federal government has a huge deficit. And they have triple A. Now will you please explain this to me?

C.H.: What did they say?

V.A.: Aw, I never got a satisfactory answer. I guess the difference was that they can print money and we can't.

C.H.: You asked new Interior Secretary Donald Hodell to let Oregon and other states to have a seat at the table when and if a massive land exchange between the U.S. Forest Service and the BLM would take place. What do you think of Hodell? He's an Oregonian, isn't he?

V.A.: Don Hodell did a very good job as Interior Secretary, and I say that in a sense that there's so much potential for controversy and criticism. Don I think was very even-handed. Yes, I think he was more conservative. He wasn't conservative, but more on that side of the fence than liberal, but still he managed probably as well, with a minimum amount of abrasiveness, of I think his predecessors and successors. He did a good job.

C.H.: Did you know him before he went to Washington?

V.A.: Yeah.

C.H.: What was the nature of this issue between the BLM and the Forest Service land exchange?

V.A.: Well, the basic difference was the way the agencies operate. You'd think that in dealing with forestland that they would be doing pretty much the same, but they don't and I can't tell you the details of it. And so it was a matter of if you moved BLM land to Forest Service, or Forest Service to BLM. That then made a difference of how those lands were going to be treated. And only because they didn't deal with forestlands, again the status quo is going to be changed. Our point was if the status quo's going to be changed, we'd like to be a party to that.

C.H.: Were you suggesting certain changes yourself?

V.A.: Not as I can recall. Not as I can recall.

C.H.: Also there was the issue of a draft federal program for offshore oil and gas leasing. What was going on there?

V.A.: Same story, and we talked about it once before. The leasing really was for exploration, not drilling. My practical view was go explore and find out what I already know or at least what I presume I know, and that is that it's not worth drilling and would just forever take care of that problem.

As long as you don't allow to explore, then there's a continual threat of drilling, and I wanted to get rid of that. We've made only one discovery, as you know, in Oregon of natural gas. For whatever geological reason, we're not a Texas or Oklahoma.

Actually, although many wouldn't publicly state it, we're saying that this is just not a productive area for gas or oil. Meaning Oregon. So okay, let's do this officially, go out and find out that this isn't good, and now it's public knowledge that it isn't any good and we've taken care of the problem altogether. There are those who fought it. They said oh my god, they're going to find something and then they're going to start drilling. I don't know. I like to put some things to bed, is what I really like to do.

C.H.: Well, talking about putting issues to bed, there was a dispute with California over a 216-mile meandering border with California?

V.A.: That was really interesting. I'm laughing now because it was the attorney general down in California had figured out the line - the boundaries hadn't been correctly figured, and there was some people in Oregon that should be in California, and some people in California that should be in Oregon. And making a pretty big deal out of it. Governor Deukmejian I think was supporting his attorney general. He wasn't doing it with a great deal of enthusiasm, but he was saying we ought to get together and talk about this thing.

Then the attorney general down there was talking about suing, and so I wrote Governor Deukmejian, who I knew very well, I said George, I don't understand all this. The people that are now

living in California that should be in Oregon are perfectly happy, and the people in Oregon that should be in California are perfectly happy, and I see absolutely no reason to get together and debate this subject. If you want to sue us, go ahead and sue us. And that was the end of that.

C.H.: Did he reply to that?

V.A.: No, I never heard any more.

C.H.: Where would it have changed the border?

V.A.: I can't tell you exactly, but I'm saying that this is crazy. And it was. If you take practical life, the people that are living in California are perfectly happy where they were. Who cares about where a line runs? So somebody made a mistake, what? What are you going to do about this? And the people that are in Oregon that could have been in California, they're perfectly happy.

C.H.: Wasn't part of the issue the 3-mile offshore and the potential for oil and gas revenue there?

V.A.: No, I don't think so.

C.H.: Then there was this thing about California that it must be determined by the U.S. Supreme Court or Congress, and Oregon wanted it to be resolved through the Interstate Compact.

V.A.: You mean talking about the offshore border? The offshore border really was a little bit different than this other thing, and may have been an outgrowth of that, but it was a different question altogether, and the answer is yeah, that's true of that case. But again, I wasn't interested in fussing with it. There's just nothing out there and I don't know why spend a lot of money for lawyers to find out what you're going to find out. So to me it's just a matter of common sense, really. Just pure common sense. Why fight about this border thing? I couldn't understand

it. Finally, my letter said to George, if you want to sue me, sue me.

C.H.: Would there be a net gain by one state or the other if it had been changed?

V.A.: I couldn't even tell you. But it wasn't even worth the discussion to me. Everybody's happy where they are. Leave them alone.

C.H.: Do they know why the border wasn't correct?

V.A.: Who knows? Some surveyor somewhere. I don't really know. I never paid that much attention to it. I just knew that everybody was happy down there and leave them alone. Incidentally, that was my first inaugural address. If they say to be left alone, leave them alone.

C.H.: How would you characterize your relationship with George Deukmejian?

V.A.: Very good. Very warm, very good. I think he did a fine job as governor of the state of California. I liked him as a person. I know he was well-respected by his fellow governors, which is a good measuring stick. But I had a good relationship with him.

C.H.: Another one of the issues that was coming up at this point was the loss of government revenue sharing funds to help the federal deficit.

V.A.: The state of Oregon had already gone through that, and now we're talking about cities and counties revenue sharing. The monies the state got had gone into basic school support, and that had been cut off quite a long time prior to that. So the state itself had gone through it already. Now they were talking about limiting revenue sharing with cities and counties as a source of

income. The only thing left to it would be to raise property taxes.

[End of Tape 46, Side 2]