

VICTOR ATIYEH

June 15, 1993

Tape 36, Side 1

C.H.: 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 June 15th, 1993, and this is Tape 36, Side 1.

Just off tape you were mentioning about the things in a campaign that aren't seen. What is not seen?

V.A.: Really, the difficult work - of addresses, phone numbers, purging ^{DEFISITION} ~~tax~~ roles, addressing envelopes. Phone banks, where they're going to be, getting volunteers to cover.

C.H.: Are you dealing with those kinds of things in your campaign, or are those all delegated?

V.A.: No, I'm not. But I'll tell you, it was a real joy, really a joy. We had teams of people that would come in, and they were having a good time. It wasn't a drudgery thing for them; they enjoyed each other. I really would love it when I came back to my headquarters, I knew most of them, and we'd chat and they were just having a good time. If there was a birthday, there was a cake out there. The guy that was doing our mailing, you know, he - these are all volunteers, just having themselves a good time.

Some very difficult work. Tedious, I should say. Planning a campaign, where you're going to go, when are you going to go there, getting the right organization in the counties. Again, you don't do everything at your headquarters. The phone banks take place in Wallowa County and Curry County and Multnomah County. You know, these are all over the place. To work in tandem with your county organization with whatever they have going: When do you get there?

How long can you stay? How do you get there? Are you going to fly? Who's going to fly you?

C.H.: How closely would you work with the Republican party campaign organizations?

V.A.: The Republican party, as such, very little. Very little.

C.H.: Doesn't it make it harder to not have a party structure to fall back on?

V.A.: The party can help you an awful lot, but it's very difficult for them to get directly involved in campaigns. But they can use some of their own volunteers; we can get volunteers from them. Just before an election - I'm a precinct committee man - you get campaign material from different candidates and you walk your precinct. Just leave things or knock on doors. You don't really do that much campaigning for the candidate, but "We'd like to have you have this." So that's how the party can help.

But your organization is your organization. It's not the party organization, the formal party organization; it's your own. You have your own county chairman, who makes your schedule for you. I think I did cover this with - yeah, I did - with Norm Smith, where my chairman down there, Norman Smith, went down and he had this long list of stops to make. "I can't do that." And my chairman says, "Vic Atiyeh does this all the time." And that's what I would do. You just have to keep going. But nobody sees any of that.

C.H.: You said this before about all these stops that you'd make, and one day or one weekend or one trip - and since you've said that, I've been imagining in my mind if I had - how long was the list? Did you say 65 or something? How many stops?

V.A.: Yeah, we just did stops like - just ...

C.H.: How would you relax? How would you not drain yourself when you were going through that?

V.A.: Well, you don't notice it. You get awful tired, but you don't notice it. There is an exhilaration about campaigning, if you like people. There's a real exhilaration to it.

I would sleep very well at night, although sometimes rather short, you know, late at night or early morning kind of thing. But you don't really know it when you're in it and you go through it and whatever your high is, it keeps you there, and you keep going at it. Although I will admit that sometimes in the morning while I'm shaving, I'd say to myself, "What the hell are you doing?"

But it wouldn't last too long. You just keep going, and the energy of the volunteers that you meet and the people that you see, you know they're working hard for you, you know, you just kind of keep going because you believe in what you're doing and they believe in you.

C.H.: How much did ^{Delores} ~~Delores~~ participate in the campaigning?

V.A.: Well she was very good. She participated, and not just with me, although sometimes we'd be together. I used to kid an awful lot, saying that they'd try to get ^{Delores} ~~Delores~~, and if they couldn't her they'd take me. She was very good on the stump. She liked people. She would get a little more determined about me and how good I am than I would about myself. But she was very good at it. She was a participant in the campaign.

C.H.: Another issue during this election was Ballot Measure No. 3. It was the attempt to limit property tax increases to 15 percent of true cash value.

V.A.: Yeah, another one and a half, yeah.

C.H.: And you opposed that, but you did favor some form of limit, didn't you?

V.A.: Yes. Always did. We talked about that. My approach was limiting the increase and giving tax bases to those wherever they had to be. The one and a half percent was laying a single lid over an irregular top is probably the easiest way to explain that. I haven't done it that way before.

C.H.: And another issue - and I remember reading a lot about this at the time - was the issue of relief from long-term federal timber sales contracts.

V.A.: Yes.

C.H.: Maybe you could explain a little bit about that.

V.A.: The timber industry did use some bad judgment. In those days, if you got a public timber contract for harvesting, you had five years in which to harvest. That was the normal period of time. And again, you have to remember those times, particularly at times when inflation was going up, someone could buy a timber sale today and pay too much for it. By the time it came to harvest, it was cheap. Stumpage had gone up. So everybody was betting on the come. They'd say, "Okay, we can afford to pay too much for it today because tomorrow it's going to be cheap."

Well, when the recession came along, all of sudden here they were with four hundred, four hundred and fifty, five hundred dollars a thousand, stumpage that they had bid for, but now the price had gone down to two hundred dollars. Actually, it even got under a hundred at one point. And here they are with this contract that clearly they're going to go out of business.

So there had been a long attempt to try to get the Forest Service to re-value these contracts. It really was - I have to tell you - a good thing for the businesses, the timber companies, but in terms of the state and my interest in survival, if we didn't do that, they're gone. And obviously it wasn't a matter of saving them - Frank Smith, Joe Johnson, whoever. It wasn't a matter of

saving them, it was a matter of saving them to save the jobs. So it took quite a bit of time. Finally, the federal government did do that.

C.H.: There was a lot of opposition to that, and some of that opposition came from Southern lumbermen and Idaho pine foresters who said that that would give the Northwest an undue competitive advantage.

V.A.: Well, that's again a self-interest kind of thing, particularly in the South - I'm talking about Georgia, the Carolinas, that part of the world - because they didn't have the same kind of situation. You see, down there, there's not public timber. Down there, it's all private ownership. They didn't have the same kind of a situation that we had here, and so they had a real strong advantage over us. Matter of fact, the Southern timber market has sopped up a lot of the market for the Northwest lumber. So that was strictly was just a self-interest thing. "We don't want these guys to get off the hook; we really want to kill off the timber industry in Oregon."

C.H.: What about the Idaho situation, Idaho pine foresters?

V.A.: They were sort of a - what you'd call an aberration. They were just all by themselves. They had their own timber and they didn't really care one way or another. And they had an advantage, and obviously it would be to their advantage, if the Northwest - now I'm saying Oregon and Washington - those operators would go south. So they were the opponents to that kind of a setup.

I want to jump ahead because it did take place, it was re-valued, it did save a lot of jobs and a lot of companies. Then times got better, and I was telling some of my friends in the industry, "You better not start doing this all over again." That is, bidding high. They did reduce the time for harvest to three

years, which was, I think, a good step to start with because now you can't bet five years in advance, you've got to bid three years in advance, and that's good too. But I said, "You better not do that again, because you can't go to that well two times. You've gone to it once, and you'll never go to it again. So, if you're going to do it, don't look for any government to get you off the hook."

C.H.: There was a quote saying that you were appalled at what you considered the Reagan Administration's superficial understanding of government-induced plight of the Oregon timber industry. Did you really feel appalled by their understanding?

V.A.: Yes. But I say Reagan because he was president at the time. I really objected to the federal - Washington D.C. - management of Northwest timber. I really did. And I have a speech that I wrote which actually some people laughed at it, but to me I was deadly serious, that the State of Oregon Department of Forestry would actually take over the management from all public timberland because we know how to manage it.

But the real tragic part was that the federal government, the way they operated generally, they would make this timber sale, and obviously, you know, the timber didn't cost them anything, so they're making some money on the deal. No matter what they sell it for, they're going to make money on it. Then the money, however, doesn't go back to the U.S. Department of Interior and Ag ...

C.H.: Agricultural Department.

V.A.: Ag has the other part of it, and the BLM and Forest Service. But it would go back into the general fund, so you had to get an appropriation in order to put up other sales. You know, it ought to go under the forestry pot, to reforest, to manage the forest well, to do it all very well. But it didn't happen that

way. It goes into the pot and Congress has to appropriate money again. That's part of it.

Then there's the other part that the folks back there, most of them, most Congressmen and Senators, really don't understand this industry. So all they get is, you know, their glorious view of this tree that they don't want anybody to cut down.

C.H.: Somebody else here said that the crash in timber prices that left the Oregon industry stuck with high-priced federal timber contracts corresponds with the date Congress passed a bill changing the banking laws drying up the pool of low-cost mortgages, mortgage money that had been the mainstay of the nation's housing and wood products industry for more than 40 years. Was that really how it worked? I mean, those two things coincided?

V.A.: Yep. And if I could divert for a second; you know, we keep hearing about the savings and loan scandal. And there was; there were crooks in that business. But I think that if you ask anybody on the street, all S & L's are crooked people. That's why they wouldn't grow. But that's not really what happened.

Again, we get back to do you understand, do you have a philosophy regarding what ought to happen in this country? I do. I believe it is very important for home ownership. But I believe in terms of home ownership because I believe people ought to take care of themselves and prepare for their retirement, not depend on the government for retirement.

And I go back to the time, way back when I was starting as a young man in business, and people were coming to sell me life insurance. It seems so ludicrous today, but I'd buy a \$10,000 policy, which was a big policy, I mean for me. And so your agent would tell you, "When you get to be sixty-five this is how much you can get out of it." And if you have several policies, and I've seen charts, and this is how much you're going to get when you

become sixty-five. And Social Security was almost a throw-in. Oh, and in addition you'll get this. So Social Security was just a throw-in. Today, social security is the big thing, it's the main thing, it's the only important thing.

Now, let me get back to where I am. If you own a home or you want to buy a home, it's really like making a deposit in the bank. Because every time to make a payment on your home, you basically have a little bit more ownership in that house. It took me 25 years to pay off a mortgage and I paid it off, and so what I have now, whatever the value of my home is, that's like my savings account. I've done that. So you need to make home ownership, to my way of thinking, a realistic possibility.

During all these years, the savings and loan industry's niche was to provide loans for home for people. Banks, they were the commercial lenders. S & L's had 20,25 year mortgages. Banks had one-, two-, three-year short-term loans. That was the field.

There was also a law that restricted the interest you could pay. With S & L's I think it was four and a half percent. Incidentally, I was on the board of a savings and loan for 16 years, so I'm talking from that perspective. Four and a half percent, nobody could pay more than that. Banks for any savings account was less than an S & L could pay.

But effectively what was happening because there was a cap on the interest that you could pay was that all Americans were subsidizing home ownership. They were subsidized in the sense that they, you know, maybe put money somewhere else, get more interest on it, but there was a cap on it. Okay, I'll put it in an S & L. Then the S & L's got that money. Now. that's no different than a pack of chewing gum. You buy it for five cents, you sell it for seven and a half cents, you make two and a half cents.

So they'd buy money, an S & L, for four and a half percent, or four percent, or whatever it is, that's what they'd buy money for, and therefore they could sell it to me for six or six and a half percent. That was their profit.

Now convert that. Let's say six percent. Six percent would double in about 15 years. That's 90, but obviously there's compounding in there. But now today it's ten percent or thereabouts. So that's less than ten years. In other words, if you borrowed 50,000 for a home, in about eight or nine years you will have paid 50,000 in interest.

Now, okay, what happened? They took that interest off. Everybody's now competing for money. S & L's are in real tough shape because interest rates are going up. And it's true, they could buy money now for eight percent and loan it out for nine and a half, but they have all of these loans back here at six percent for 25 years. And so they had trouble working out of that. That was the problem with an S & L. That's why a lot of them went broke. Banks, they could tough it out. You know, they have one and two, three years. I mean, they had a short timeframe in which to deal with that. S & L's didn't have that. I mean, that was really basically one of the problems with that.

And so what really happened, when you really look at it, is that now it's made home ownership a great deal more difficult. A lot of people can't even get their starter home, and a lot of people aren't putting money aside for their future.

C.H.: But people in Oregon looked at the savings and loan situation here as being substantially different than it was in other parts of the country, like California and Texas, and even though they suffered through their own recessions, we suffered through a pretty bad recession here and we didn't go through the same types of savings and loans disasters that they did, and the

federal government is basically subsidizing Texas and California as a result, and not Oregon.

V.A.: Well, that's true. But we had good savings and loans, they were good companies. They had the problem that I just described. Actually, the two major ones - one was Equitable Savings & Loan, of which I was a board member, the other one was Benjamin Franklin Savings & Loan - they're both gone now, they now longer exist. As a matter of fact, Equitable had been around for 75 or 80 years, and very highly regarded, very well respected.

Now, you see where it finally comes down. We talk about S&Ls and banks and all the rest of it, but you see where I'm converting this to is something entirely different. It's a matter of home ownership and it should be possible.

C.H.: Wasn't home ownership in Oregon the highest of percentage per capita?

V.A.: Oregon had a lot of home ownership, and to Oregonians it was very important, and I think that's a smart thing to do. You know, young people, they can't afford it, and so they're living in apartments and they're not going to put anything aside for their future. And it's a shame. I'm sure they want to. They want to own a home. Gosh, my daughter and her husband bought a home, \$140,000. You know, they really slammed up really hard tough against it, and it isn't - it's not half the home of mine. Not half the home. But that's the unfortunate nature of what's going on now.

C.H.: One view of what was going on with the timber sale contracts was that in the early 1970s, some timber operators began bidding two to three times the appraised price at the U.S. Forest Service timber sales, and more conservative timber operators in Oregon were appalled and refused to enter the bidding. Isn't this sort of going against the free market forces by helping out people

who take extreme risks, and people who are more conservative actually suffering as a result?

V.A.: Yeah. Yeah. But it depends on who you're worried about. Are you worried about Joe Smith who owns the sawmill, or are you worried about the people who work for Joe Smith? You see, I don't mind saving Joe Smith, if I can - It's not a matter of trying to save Joe Smith. I'm trying to save the people that work for Joe Smith.

C.H.: There were a lot people also that were relying more heavily on Forest Service timber, federal timber.

V.A.: That's right.

C.H.: And they were in a lot deeper trouble than the people that had some private holdings.

V.A.: That's right.

C.H.: But the more conservatively-managed companies that bought only a few of the high-priced federal sales are blending their expensive federal timber with cheaper state and local government timber sales and trees cut from their own land.

V.A.: Exactly right.

C.H.: The Assistant Secretary of Agriculture, John Crowell Jr., suggested that the free market forest should be allowed to work its will, but that would cause the suffering you're saying if a lot of workers that -

V.A.: Yeah, it's one thing to hew closely, if we talk about free enterprise and all the rest, but there are times in which - you know, I believe in it. I probably believe in it more than almost anyone. And you have to if you're a small retailer. That's the last bastion of what I really call genuine free enterprise. Nobody really cares if a retailer goes out of business. As a matter of fact, they applaud it because now you've got a going out

of business sale. So it's really, the world I came from, is really free enterprise.

And yet here I am, I'm in a state that has unemployment at 12.6 percent. I'm calling a press conference for a company that's going to hire 40 people. And they wonder what the heck, you know, 40 people, what are you calling a press conference for? To me, it was very exciting. I'm trying to save every single job I can.

That's why today I'm appalled that Governor Roberts, and previous to that Governor Goldschmidt, could be so casual about thirty, thirty-five, forty thousand timber jobs going away. I cannot be that casual. I can't. Even today, I can't be that casual about it. But they were, "Well we'll just retrain these people." Again the tape didn't get the roll of the eyes.

C.H.: Right. Another issue that came up here in the campaign was in August the Washington County Public Affairs Forum, where you were defending a plan to balance the State's latest budget deficit of \$87 million by tapping the SAIF Corporation for \$81 million. And in September '82 you appointed investigators to probe allegations that five part-time SAIF board members acted improperly and urged that the board appoint someone other than the SAIF president, Charles Gill, Jr., to deal with the various investigations. The probe was urged by SAIF board chairman, Leroy Livermore.

Why were you going about it that way, trying to tap SAIF for the \$81 million?

V.A.: First I'll answer your question why. That incidentally, back to campaign, you have to learn to answer the question in as short a way as possible.

I had spent quite a bit of time, and I had talked to the Attorney General's Office - even had Chuck Gill, incidentally, who was the one that we were referring to a moment ago - and the theory behind what we were doing is that the State put in some money to

begin SAIF. SAIF at this later point, as you recall, we talked about that, became a quasi-independent insurance company. And my contention was that the State was getting back some of the money that we put in. That was the basic theory of why we were suggesting that we take that money.

If indeed they had been paying taxes, they would have paid a lot - like all other insurance companies, would have paid a lot more taxes than even what I was asking for. At the same time, we looked at the surplus. They had huge surplus, huge surplus. And so I said we can do that, we can balance our budget, and that will not hurt SAIF. Okay, that's the background for everything yet to come.

Obviously, there were counter arguments. You know, "You're taking our money away." Now I'm talking about the employers. Because they were getting dividends from SAIF, businesses were. Incidentally, businesses never got a dividend, ever, until the three-way workers' comp. bill passed. Never. Anyway, now it became the normal routine of giving dividends.

The question is how much dividend would they have gotten? And then you look at the history of SAIF, and obviously they never gave away all the surplus, they kept some of the surplus. Which is a good business practice, incidentally, it's not wrong. And so the question was how much would they have gotten?

Then finally I said, "This is not the best answer, but this is the best of all the bad answers." And it was. I never contended this was the finest thing that ever happened, ever. But we had gone through 1980 in budget cuts, we'd gone through - now this was the third special session in one year - we'd gone through all the cuts that we could possibly go through, and I just said, "Look, we can't go through any more. We've done everything we can, we've raised all the revenue we can, we've cut all the budgets that we

can. And so this is not the greatest thing, but it's the best of all the bad ones. This is bad, but this is the best of the bad."

But it was the most controversial. And incidentally, you know, if somebody's really worried in saying things during the course of a campaign because you're trying to protect your rear end, here I am in September, and we're only two months away from election, coming up with that. Now okay, if I was really watching out for my tail, I'd try to find something else.

[End of Tape 36, Side 1]