

Oregon—the New Oligarchy

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Editorial

The strongest argument against Ted Kulongoski's candidacy for governor in the spring of '02, besides the fact that Democrats had been in power for 16 years and Oregon was home to the worst economy in the country, was that he might not have a strong enough personality to lead the state in these troubled times, and he might not be strong enough to handle Neil Goldschmidt, who was fast becoming the state's "godfather." While almost everyone liked Ted Kulongoski's open, sincere style, Goldschmidt, the former one-term Oregon governor, was building a slick reputation as Oregon's new oligarch.

Neil Goldschmidt's mixing of public and private power in recent weeks has become ...well ... grotesque, and the governor of the state of Oregon has encouraged it. So goes the dysfunction of a state with only one political party.

Goldschmidt's first move in office was cancellation of the Mt. Hood Freeway project, shifting funds to mostly Portland-based public works and planning projects such as light rail. His legacy of intertwined public/private funds spiraled into complete centrally planned control in the Katz years, and ultimately out of her control as the economy sank under the weight of increased public spending and regulatory burdens.

So what Goldschmidt wrought, Kulongoski now hopes the same man can save?

After Goldschmidt left the governor's office in 1990 he went to work as an executive for NIKE. But, what Goldschmidt soon found he did best was mix private and public power, and maximize his public sector access to finesse insider private deals. Business boomed.

While it wasn't corrupt, it didn't sit well with some Oregonians when Goldschmidt served as consultant to Weyerhaeuser in their successful hostile takeover of Willamette Industries. As one of only two Oregonians who have ever served in a U.S. President's cabinet, Goldschmidt's name lent local credibility to Washington state-based Weyerhaeuser.

At the same time Goldschmidt's wife Diana Snowden was serving as a temporary replacement for Portland Public Schools Superintendent Jack Bierwirth, and she was being well paid for it. Oh, and Goldschmidt's brother Steve was aboard the same PPS gravy train as a highly paid (is there any other kind?) consultant.

Goldschmidt the dealmaker. You have to be impressed by the insider power. At times in the '02 gubernatorial primaries it even looked suspiciously like he was pulling the strings of both sides of the governor's race, with his simultaneous close friendships with Democrat Ted Kulongoski and Republican Ron Saxton.

But by now Gov. Kulongoski must be entertaining doubts about how he has allowed his friend Goldschmidt to overtake and overpower his administration.

Some details, in case you missed them.

Goldschmidt the puppetmaster. One of the better ideas to come out of this year's legislature was pushed by Liberty Northwest Insurance and others to sell/privatize Oregon's workers compensation insurer, SAIF (State Accident Insurance Fund). But according to the *Oregonian*, Goldschmidt, who is being paid upwards of \$1 million by SAIF to consult and lobby against the privatization, used his pull to help block the idea. Explanations from the current head of SAIF why it should remain in public hands only served to explain what puppets' heads are made of.

In November, Goldschmidt publicly campaigned against ballot Measure 26-51 which would have created a Multnomah County Public Utility District. The former Democrat governor and presidential appointee campaigned on his name recognition as an elected leader, on his political reputation. What Goldschmidt failed to disclose during the campaign was that soon after the election he would be the point man for Texas Pacific Group, potential buyers of beleaguered Portland General Electric.

Goldschmidt was named CEO of what would be the new Oregon Electric Utility. Along with partners Tom Walsh (who headed up TriMet, earned countless dollars through public construction projects, and is married to Patricia McCaig, former chief of staff to Democrat Gov. Barbara Roberts) and Gerald Grinstein (who only a few days after being named to the board of the utility was hired as the new CEO of Delta Airlines) the trio stand to make millions for putting together the deal.

The former governor cynically used the anti-PUD's campaign message of not allowing PGE to fall into the hands of Katz and Sten. Meanwhile a deal was put together that could make him a very rich (or richer) man. Portlanders breathed a sigh of relief that Erik Sten's Water Bureau billing fiasco wouldn't be repeated...until they saw the possible Goldschmidt payoff.

So that's how it works in the Goldschmidt world: The city running the electric company *is not* a good idea, if you're paid to keep it private. But the state running the workers comp insurance industry *is* a good idea, if you're paid to keep it in government hands.

And if it seems like a tangled web, it's not. Mostly it's a straight line to Goldschmidt.

Let's draw the lines more clearly. Goldschmidt's wife Diana Snowden sits on the Oregon Investment Council (appointed by the governor), where she decided to send millions of Oregon's public dollars to Credit Suisse, which then invested in Texas Pacific Group, which then appointed, surprise!, her husband Neil Goldschmidt to head up their Oregon investment project.

While the parallels to the Boeing-Air Force scandal are startlingly similar, they seem to have escaped most local reporters and editors. Maybe they've become so accustomed to the local stench, they just can't smell it.

Let's say, hypothetically, that the Goldschmidts are the only people who could possibly fill those power roles and that the deal for PGE is a good one. Still, one of the Goldschmidts is going to have to explain why it's a good idea to override the legislature's clear directive to the Council to spend \$100 million in investments in Oregon, on Oregon companies, and instead for Goldschmidt's wife's Investment Council to send that money directly to Credit Suisse in New York for investment in a Texas company. Oregon businesses should be outraged. Out of the pockets of Oregonians and into the pockets of...

Capping off Neil's big "power" deals, the governor appointed him head of Oregon's State Board of Higher Education. Credulity could not be stretched further. Is the governor saying that when it comes to a really big problem, an intractable one, which are the kind the state faces these days, the only way to solve it is to bring in Oregon's oligarch, Neil Goldschmidt?

Lord knows, thinks Kulongoski to himself, *I can't do it*. But there's a big, big problem with this.

Because of his dealings with NIKE, with Weyerhaeuser, with the Portland School Board, with PGE, with the '02 governor's race, and other manifold past matters, and because of the outrageous entanglements and conflicts with his wife's Investment Council role, Goldschmidt's line of credibility is as thin as a G-string on a Brazilian beach. But in Neil's mind it's all aces--which is what led him to publicly campaign against the PUD and then turn around only days later and sign on with the Texas bidders for PGE.

Goldschmidt the oligarch. There's nothing inherently wrong with a private bid for PGE, of course. On the surface it looks like a solid deal for the bidders and for Oregon. But which is Neil Goldschmidt—a public servant or a private businessman, an altruistic healer or a corporate profiteer? A lobbyist, or a representative of the people? Those who try to do both are corrupt. Those few elitists who try to control government and markets, or manipulate one through the other are called oligarchs. *Even the Russians send them to jail.*

If Gov. Kulongoski is unable to lead without the assistance of oligarchs, he should resign and a special election should be called to establish new "elected" leadership. Short of that, he should ask Goldschmidt to disentangle himself from public projects, including resigning as chair of the State Board of Higher Education. And/or Diana Goldschmidt should resign her seat on the Investment Council.

The Public Utility Commission should also ask for and present to the public a full listing of the Goldschmidts' other clients and board positions to demonstrate, *before the PGE*

purchase, that there are no conflicts of interest that might financially damage ratepayers. Knowing the breadth of Goldschmidt's influence, that could be a very interesting list.