A quarter-century of bust and boom has divided Oregon as never before, shattering the political consensus that once made the state a national model for innovative government.

A generation ago, Oregonians shared a common standard of living and similar political views, which were framed by moderates of both parties. But the collapse of the timber economy and flood of high-tech investment in metropolitan Portland carved a chasm between rural and urban Oregon. Only New York -- with its divide between Wall Street millionaires and immigrant poverty -- has seen the gap grow faster between the richest fifth of families and the poorest fifth, a national study shows. Amid the economic upheaval, Oregon's politics were turned upside down. The moderate Republicans, who once held most state executive offices and commanded the political center of the state, were largely pushed aside. They were replaced by conservatives with a deep-rooted suspicion of government who focused on lower taxes and opposing abortion. Without competition from moderate Republicans, Democrats held the governor's office. Rural voters tied Democrats to environmentalists and swept them from the Legislature, which was taken over by Republicans. The result: Two parties with conflicting visions fought to a stalemate in Salem so stubborn that outgoing Gov. John Kitzhaber pronounced the state "ungovernable." This week, a new governor and Legislature convene in Salem in search of consensus. The odds are formidable: They face a $1.5 billion budget shortfall driven by an economy that shows only tentative signs of recovery.

Many states are battling similar budget woes. But interviews with political leaders and people across the state show Oregon's problems are more fundamental. The recession has laid bare Oregon's chronic inability to agree on how to provide a steady source of funding for schools and how to develop a more balanced tax system. "We've lost our way in Oregon," says Sen. Lenn Hannon, a moderate Republican from Ashland with 29 years in the Legislature. "We've lost our can-do attitude in Oregon. And we replaced it with a cannot attitude."

Much of Oregon never recovered from the brutal recession of the early 1980s, which displaced thousands of workers, closed mills, stores and schools. Unemployment climbed to 12.4 percent, and Oregon's population dropped as workers went elsewhere for jobs. The timber industry crashed, and the Portland area boomed with a dizzying $13 billion investment in high-tech microchip operations. Portland embraced the new economy, while rural Oregon struggled to hold on to the old. They became separate states.

As economies diverged, so did wages. In 1978, workers in suburban Washington County and timber-rich Crook County earned about $12,000 a year. Today, a worker in Washington County takes home $42,200 on average, compared with $27,400 in Crook County. Average pay in metro Portland has outpaced inflation in the past two decades. In almost every other corner of the state, salaries fell behind inflation. The growing economic divisions fostered political polarities. As lawmakers became mired in conflict, special interest groups turned to initiatives to bypass legislators. Measures to limit gay rights, restrict cattle grazing and other proposals aggravated the divisions. The rising resentment against property taxes, which were climbing swiftly because of rapid growth, propelled the 1990 passage of Measure 5, which limited property taxes for schools and local governments. The measure forced schools to depend on the Legislature for money -- a Legislature controlled by rural counties.
Suddenly, students, educators and parents were at the mercy of Oregon's divided government. Measure 5 turned the Legislature into a statewide school board, redistributing money from richer districts, which tended to be urban, and giving it to poorer ones, most of them rural.

When the recession battered the state budget, the impact of Measure 5 on districts such as Portland snapped into focus. This spring, for example, more than 50 school districts plan to cut days -- as many as five weeks in Portland -- out of the school year, which already is the shortest in the nation.

Other problems went unsolved.

Faced with declining state support, Oregon colleges raised tuition so high they now rank among the least affordable public universities in the nation.

The Legislature failed to fix the state's expensive retirement system for public employees, which is draining money from schools and government agencies.

As the decade ended, Oregon's economy crashed. It leads the nation in unemployment. Its per capita income has fallen to 31st in the country, the lowest it's been since 1929. One in 10 Oregonians collects food stamps. Bankruptcies, foreclosures and poverty are on the rise. Oregon's failures to solve these problems have become national news. The state dubbed a generation ago by Newsweek magazine as a place "where the future works" is now derided as "the worst mess of all," by The Economist weekly magazine.

Individuals cast aside Oregonians once boasted of a political landscape where one citizen could make a difference.

Now they complain of powerlessness.

"Money and special interests have moved in to fill the vacuum left by a disengaged and disenchanted electorate," Kitzhaber said last week. "The result is a state fragmented by ideology and partisanship, unable to take effective action on any front and without any sense of community or common purpose."

Loggers say environmental interests prevent them from cutting trees. Urban parents say rural legislators refuse to provide enough money for their schools. Moderates say both political parties have left them.

"I'm embarrassed being a Republican and can't imagine being a Democrat," said Doc Hatfield, a veterinarian who raises cattle on a ranch near Brothers in Central Oregon. "Why did the far right and the far left get such a hold on the politicians and leave the middle out?"

In Central Oregon, Craig Woodward built a thriving logging business over the years. But now, he said, he cannot take his crew out to cut wind-fallen, insect-damaged or burned trees, all of which fuel forest fires.

He said people in urban Oregon, even in Bend, don't understand how environmental restrictions undermine good forest management and cripple his livelihood.

"We have good lumber out there, and we're not allowed to cut it."

So the frustrated logger takes a crew to Bolivia and Belize six months a year to cut trees.

Across the Cascades, different worries weigh on John Whisler, 52, a retailer and father of an elementary school child in Portland. He's concerned about the deteriorating quality of local schools and wears a button that says, "Tax Me."

"I feel overwhelmed that the only battles that matter are too big for individuals or even school districts to fight," said Whisler, who helps raise money for his school. "You would have to be nuts to want to move here with kids."

Polls this fall showed that two-thirds of Oregonians think the state is on the wrong path. Business leaders became so alarmed that 1,300 gathered for a special leadership summit last month to talk about how to revitalize the state's economy.

Tale of two counties Oregon's differing paths can be seen in Crook and Washington counties.

In their own ways, residents in each enjoyed a high quality of life. Washington County, known for strong schools and affordable homes, was a short drive from both the country and downtown offices.

In Prineville, the only incorporated city in Crook County, five sawmills paid wages that allowed workers to support a family and also have a pickup and boat in the driveway. The noon whistle from the fire station let everybody know when it was time for the five-minute trip home for lunch.

Crook County was famous nationally as a bellwether that had voted for the winning presidential candidate in every election for nearly 100 years. Democratic-leaning millworkers were balanced by Republican farmers and businesspeople.
Today, about all the two counties share is a lot more traffic -- Washington County because it boomed, Crook County because so many people commute to service jobs in nearby Bend, where they cannot afford to live.

Economic changes brought political changes that ended Crook County's status as a bellwether. Crook voters rejected Bill Clinton and Al Gore, the other Democratic candidate, since 1992. It's easy to find people who resent environmental and government restrictions that limit their timber and ranch operations. Lynn Breeze, who with her husband, John Breeze, owns a Crook County ranch established in the 1880s, said she used to be liberal but has changed her views.

"I don't like people who don't get out on the land making decisions for what I do on the land," she said. Her husband added: "I think there are some people who would essentially like to depopulate the West."

Jennifer Beatty, 39, who lost work when the last Prineville mill closed more than a year ago, now works for the country road department and expresses a common lament.

"There is no future for Prineville," she said, taking a break from cutting juniper along a roadside. She hopes her young boy will get a college education and go elsewhere to work.

Maybe someplace like Washington County.

The new Oregonians Christine Barker, 35, and her husband, Ross, 37, moved from Southern California to Washington County in 1996 and bought a spacious home in a new development spreading over hillside pastures in northeast Beaverton. They live in the fastest-growing neighborhood in Oregon, the census reports.

They chose the Portland area because it seemed vibrant, interesting and planned, yet small enough to provide a sense of community. They considered it a better place to raise children.

They like being close to restaurants, bookstores, the zoo, the symphony and short drives to nearby farms and rolling vineyards. They both have college degrees and describe themselves as politically moderate.

Christine stays home with their three children, while Ross works for a market research firm in downtown Portland.

They like the urban growth boundary, which runs near their house, and oppose its expansion. Ross can jog up the street, across the boundary and into the countryside.

They're aware of the state's divide but don't give much thought to rural Oregon. They worry most about school funding. Their oldest child, Annie, attends first grade in a class of 27 at Beaverton's crowded Jacob Wismer Elementary.

"I don't understand what the resistance is to having a sales tax," said Christine.

The Barkers found most of their neighbors have come from somewhere else, too.

Oregon grew by 580,000 people during the past decade, about 430,000 of whom came from other states and countries. Many of the new Oregonians are young and well-educated like the Barkers, said Barry Edmonston, director of the Oregon Population Research Center at Portland State University.

Growth brought new jobs and more congestion, more divisions, more winners and losers. Portland-area residents struggled with traffic and rising home prices. Resort communities in Central Oregon and on the coast saw contrasts sharpen between affluent retirees and vacationers and low-wage service workers.

1990: a pivotal year

Economic and political changes shaping a new Oregon and leaving the old behind came to a head in 1990.

Not long into the new year, federal researchers released a bombshell report saying the spotted owl needed to be protected as an endangered species.

The limits on logging caused the huge federal timber harvest to plunge from more than 4 billion board-feet a year in the late 1980s to nearly zero today. Almost all of the 3.4 billion board-feet cut in Oregon last year fell on private lands.

About 10,000 angry timber workers and their supporters jammed Portland's Pioneer Courthouse Square to bring their message to urban Oregon. "Try paying your bills with an owl," said one sign.

"The Democratic Party became the party of the people shutting down the forests and the farms," said Deschutes County Commissioner Dennis Luke.

In 1990, for the first time in two decades, Republicans broke the Democratic grip on the Legislature, winning control of the House. Four years later, they took the Senate, too.

Democrats, shorn of serious statewide competition from moderate Republicans, won every governor's race and almost every other statewide office as well.
Both sides retreated to their support bases. Business interests concentrated their support on Republicans while public-employee unions became the major mainstay for Democrats.

"The centrist voices are harder to hear in both political parties," said Dave Frohnmayer, the last moderate Republican chosen by his party to run for governor. Frohnmayer, University of Oregon's president, lost after anti-abortion conservatives ran a third-party candidate.

The last big event of 1990: Measure 5.

It signaled the other tectonic shift in Oregon politics, from elected officials to the initiative. Voters themselves made the biggest budget decisions of the 1990s.

Government by initiative The passage of the tax-limit measure -- combined with court rulings that threw out restrictions on paid signature-gathering -- triggered an increasing flurry of initiatives. Each measure was aimed at satisfying voter discontent. But substituting an all-or-nothing initiative for the give-and-take of the legislative process created new problems.

Measures spawned court challenges and new divisions. A series of anti-gay rights measures exacerbated the culture wars. Pro-environmental measures in 1996 and 1998 angered rural residents who saw them as another tool of urban Oregon against them, even though the proposals were defeated.

"The initiative process keeps pulling scabs off attempts to find common ground," said Frohnmayer.

Battered by initiatives and partisans differences, legislators by the mid-1990s had largely given up on the large, innovative reforms that had once been the pride of the Oregon Legislature.

Instead, they retreated to their ideological and geographic corners.

As a result, Oregon in many ways squandered the nation's boom in the 1990s.

Many states invested in education and retooled their tax codes to attract economic development. Oregon leaders followed the path of least resistance. The strong urban economy produced big increases in income taxes that allowed the state to take over most funding for schools from the property tax. Nearly every expert warned the boom couldn't continue. But attempts to establish a reserve account for a downturn faltered. Conservatives didn't want to give up any of the tax rebates the state handed out. School advocates didn't want to give up any dollars for programs to squirrel away for a downturn.

"We were not saving for a rainy day or managing our costs for a rainy day either," said Richard Reiten, the NW Natural Gas chairman who led the recent business conference on the state's economy.

Other problems festered. For example, questions about the high costs of the Public Employees Retirement System surfaced early in the '90s, to little avail. The public employees unions successfully fought efforts to include PERS reform in a report by a task force on government efficiency established by Barbara Roberts after she became governor in 1991. And the unions successfully pressed the Legislature to water down a 1995 bill that created a slightly lower benefit level for new hires. A 1994 ballot measure to limit PERS won narrow approval by voters, but was struck down by the courts.

In 1999, the Republican-led Senate passed another PERS reform measure. The bill's sponsor, then-Sen. Neil Bryant, R-Bend, said the bill languished in the House for months because conservatives were angry at a gun-control bill he sponsored.

Bryant said more experienced lawmakers would not have let a dispute over a side issue derail such an important bill. But the House had novice leadership as a result of another voter initiative that limited legislative terms.

"They were only going to be there for six years, so the PERS system was the last thing they wanted to be involved with," said Marge Kafoury, the chief lobbyist for the city of Portland.

Gov.-elect Ted Kulongoski won a narrow victory that hinged on urban Democrats, and he faces a Legislature dominated by rural Republicans. He has made trips across the state to try to bridge the rural and urban divide.

In his budget proposal, he challenged some of his strongest political supporters -- the public employees unions -- by calling for a freeze on salaries and benefits that often outpaced inflation.

He wants to revamp the tax code to put schools on a stable footing, but he said he won't attempt that for the first two years of his term:

"I have to prove to (Oregonians) that this government is smart, it's productive and it's making its decisions wisely."