

California State Archives
State Government Oral History Program

Oral History Interview

with

KENNETH CORY

California State Controller, 1976 - 1986
California State Assemblyman, 1967 - 1974

October 1, October 22, December 10, 1987,
and February 6, 1988
Sacramento, California

By Gabrielle Morris
Regional Oral History Office
The Bancroft Library
University of California, Berkeley

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PREFACE

On September 25, 1985, Governor George Deukmejian signed into law A.B. 2104 (Chapter 965 of the Statutes of 1985). This legislation established, under the administration of the California State Archives, a State Government Oral History Program "to provide through the use of oral history a continuing documentation of state policy development as reflected in California's legislative and executive history."

The following interview is one of a series of oral histories undertaken for inclusion in the state program. These interviews offer insights into the actual workings of both the legislative and executive processes and policy mechanisms. They also offer an increased understanding of the men and women who create legislation and implement state policy. Further, they provide an overview of issue development in California state government and of how both the legislative and executive branches of government deal with issues and problems facing the state.

Interviewees are chosen primarily on the basis of their contributions to and influence on the policy process of the state of California. They include members of the legislative and executive branches of the state government as well as legislative staff, advocates, members of the media, and other people who played significant roles in specific issue areas of major and continuing importance to California.

By authorizing the California State Archives to work cooperatively with oral history units at California colleges and universities to conduct interviews, this program is structured to take advantage of the resources and expertise in oral history available through California's several institutionally based programs.

Participating as cooperating institutions in the State Government Oral History Program are:

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University of California, Los Angeles

The establishment of the California State Archives State Government Oral History Program marks one of the most significant commitments made by any state toward the preservation and documentation of its governmental history. It supplements the often fragmentary historical written record by adding an organized primary source, enriching the historical information available on given topics and allowing for more thorough historical analysis. As such, the program, through the preservation and publication of interviews such as the one which follows, will be of lasting value to current and future generations of scholars, citizens, and leaders.

John F. Burns
State Archivist

July 27, 1988

This interview is printed on acid-free paper.

TABLE OF CONTENTS

INTERVIEW HISTORY i

BIOGRAPHICAL SUMMARY ii

SESSION 1, October 1, 1987

[Tape 1, Side A] 1

 Cory's assembly committee assignment--house
 management concerns--tax reform efforts of Governor
 Ronald Reagan--the 1972 Watson initiative--Jarvis-Gann
 initiative in 1979--political campaigning methods of
 Butcher-Forde Associates--Mayor Tom Bradley's campaigns.

[Tape 1, Side B] 12

 Difficulties of campaign reform--psychology of
 campaigns--activities of the Joint Legislative Ethics
 Committee from 1967 to 1975--establishing the Fair
 Political Practices Committee in 1975--legislative
 reapportionment activities in 1962, 1965, and 1972--
 reapportionment studies by the Rose Institute--use
 of census data in reapportionment.

[Tape 2, Side A] 23

 Thoughts on the civil service--lack of control by the
 executive branch--concerning the Peripheral Canal--state
 highway program--administrative superagencies--
 environmental issues in state public lands management
 --legislative supervision of tidelands--pricing
 policies of the oil industry--city of Long Beach oil
 resources.

[Tape 2, Side B] 35

 Federal government role in state tidelands--interaction
 with oil companies.

SESSION 2, October 22, 1987

[Tape 3, Side A] 40

Subsidence problems of cities above older oil fields--
further discussion of environmental issues concerning
oil production--Democratic party factions in
legislative campaigning--Cory's first assembly race in
1966--Governor Pat Brown as campaigner.

[Tape 3, Side B] 51

Cory's try for assembly speakership in 1970--campaign
for controller in 1974--separation from gubernatorial
campaign--reasons for running--Houston Flournoy as
Republican opponent--funding strategies and problems--
questions about Dick O'Neill and Lou Cella's support
of Cory.

[Tape 4, Side A] 62

More on funding Democratic campaigns--use of computers
and telegrams in campaigning.

[Tape 4, Side B] 73

Use of precinct walkers and coffee parties--volunteers
in Cory's 1966 campaign--role of volunteers--use of
polling--importance of absentee ballots--further
experiences in 1974 controller's race--thoughts on the
state Democratic party.

SESSION 3, December 10, 1987

[Tape 5, Side A] 86

Taking office as state controller in 1975--transition
period--reform goals: state lands management and the
escheat law--working with the banking industry--
tracing holders of bank accounts and safety deposit boxes.

[Tape 5, Side B] 98

Members of the controller's staff--accounting
functions--fellow constitutional officers--audits of
Medi-Cal and welfare programs.

SESSION 4, February 26, 1988

[Tape 6, Side A] 108

Further discussion of Medi-Cal audits--appointment of inheritance tax appraisers--state Personnel Board procedures--appointees to the Fair Political Practices Commission.

[Tape 6, Side B] 119

Ex officio member of the Board of Equalization--overseeing tax assessments--dealing with property tax limitation measures--ex officio member of the Franchise Tax Board--controversies with FTB executive officer Martin Huff, 1975-1977.

[Tape 7, Side A] 132

Negotiations about unitary system of accounting for corporate taxation--working with Governor Jerry Brown, Attorney General George Deukmejian, Treasurer Jesse Unruh--investment program for state employees' retirement--importance of the media--power of the civil service--views on strength of the executive branch of government.

INTERVIEW HISTORY

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Interview Time and Place:

October 1, 1987; session of two hours
October 22, 1987; session of two hours
December 10, 1987; session of one hour
February 26, 1988; session of one and a half hours

All sessions took place in Mr. Cory's office in Sacramento,
California

Editing:

Morris checked the verbatim manuscript of the interview against the original tape recordings, edited for punctuation, paragraphing, and spelling and verified proper names. Insertions by the editor are bracketed. The interviewer also prepared the introductory materials.

Mr. Cory reviewed the transcript and approved it with minor corrections.

Papers:

At the time of these interviews, no arrangements had been made concerning deposit of Mr. Cory's papers.

Tapes and Interview Records:

The original tape recordings of the interviews are in the university archives at the University of California at Berkeley along with the records relating to the interview. Master tapes are preserved at the California State Archives in Sacramento.

BIOGRAPHICAL SUMMARY

Kenneth Cory was born in Kansas City, Missouri, in 1937. He attended primary and secondary schools in Lakewood, Kansas; Long Beach, and Huntington Beach, California. He attended Orange Coast College, University of California at Los Angeles, University of California at Berkeley, and the University of Southern California, majoring in political science and engineering.

Cory, a Democrat, has held the positions of consultant to the state assembly Committee on Education, chief administrative officer of the assembly, assemblyman, 69th district, and state controller. From 1955 to 1957 he served as midshipman in the United States Navy. At the time of the interviews he was a partner in the securities firm of Donaldson, Lufkin & Jenrette. Cory has been active in Delta Sigma Phi fraternity, Elks Club, Japanese American Citizens League, Y.M.C.A., and the Easter Seal Society. He also trains and shows hunting dogs.

[Session 1, October 1, 1987]

[Begin Tape 1, Side A]

MORRIS: When you were talking with Dr. [Sarah] Sharp, the focus was mostly on education, since you devoted so much of your time to that as an assemblyman.¹ Later on, I find you also on the [Assembly] Revenue and Taxation Committee.

CORY: Yes.

MORRIS: I wonder if you could talk a little bit about how you came to be appointed to that committee, and what your interests were: related to education, financing, or broader?

CORY: Yes. The speaker appoints, and the speaker [Assemblyman Jesse M. Unruh] requested that I be on the Revenue and Tax Committee, which is not one that I requested. He just asked me to serve on it, and you didn't deny the speaker those kinds of requests. I'm trying to recall in the '67 session, I was on Revenue and Tax, I guess, all the time that I was there.

MORRIS: Right.

CORY: The school financing was a problem, having to have revenues for that may have been part of the speaker's motivation. I also think that the speaker accepted my loyalty without much question, and he wanted to have a group of loyalists on that committee because it was fairly important. So those were I think the factors of the Revenue and Tax Committee, the Education Committee. I don't remember my third committee

1. See Kenneth Cory, "Education Consultant and Assemblyman, 1961-1974," in Legislative Issue Management, 1961-1974, Regional Oral History Office, University of California, Berkeley, 1983.

assignment my first year.

MORRIS: Was three the standard number of assignments?

CORY: Yes. Plus your joint committees. I guess it was the Finance and Insurance Committee. It might have been that one.

MORRIS: Finance and Insurance seems an odd combination when you've already got Ways and Means.

CORY: I was not on Ways and Means, then. I added Ways and Means during or after my third term. Again, that was not a committee I wanted on, it was one that I was. . . . it was the speaker who wanted me on it. Actually, [Assemblyman] Willie [L.] Brown [Jr.] was chairman, and Willie wanted me on the committee, and I argued that he didn't want me on the committee.

MORRIS: Because you had Assemblyman Robert Monagan for speaker?

CORY: No. In terms of the house management, I think it was a great concern that they wanted me on it. They wanted some people who were fairly trusted to see that issues were coming up, and who would be loyal to the Democratic house management. I resisted just basically because of the time commitment. It takes a great deal of time, and it is very difficult to put the amount of time in on the other areas. It's a battle that I lost, they so badly needed me. You can't really refuse to serve.

There was just one committee that I didn't serve on, Bob Monagan wanted me on Local Government. The business that I was involved in was heavily involved in doing businesses with cities and I thought it was inappropriate.

MORRIS: You had a personal private business going.

CORY: Yes. And I just thought it was inappropriate for me to be on a committee dealing with local government issues on a daily basis.

MORRIS: If you were selling to . . .

CORY: Local governments.

MORRIS: That seems fairly a specific example of potential conflicts of interest.

CORY: At the time, the legislative counsel and Monagan had said, "No, that's not a conflict; you should serve," and I said, "Look, you put me on it, I will never show up. Do what you want, but I'm not going to show up, because I just do not

feel comfortable." But I had the same qualms about being on F and I, since I was a licensed insurance agent, and had been involved in extensive talks at that time with the legal people. They assured me that there was not a problem, as long as I was voting on things that affected everybody in the industry generally. That's really a question of how the standards changed through time. But it's something that people don't bother to look at, question. Until fairly recently. The Judiciary Committee and the Criminal Procedure Committee or Criminal Justice was entirely staffed by lawyers. Persons involved in the industry if you will.

MORRIS: That's been noted by historians, and there's also a rumor that people tend to wish to be appointed to the Judiciary Committee in the hopes that that will lead to their being appointed judges. Is that mythology?

CORY: That's more mythology. I don't think serving on there really helps that much. Having the leverage somewhere else to get the appointment is, I think, significant. But I don't think there's that much leverage on the Judiciary Committee. I just don't think that's significant; I have not seen that used.

MORRIS: When you first went on Rev. and Tax., the speaker was . . .

CORY: Jesse Unruh was speaker.

MORRIS: Yes. But [Assemblyman] John Veneman was chair, and he was a Republican.

CORY: Yes.

MORRIS: And then later on, toward the end of your service on that committee, [Assemblyman] Joe [A.] Gonsalves was chair.

CORY: Yes.

MORRIS: How did their approach to the Rev and Tax issues differ?

CORY: Basically three different eras of time. When Veneman was chairing it, it was a Democratically controlled house, and the committee was overwhelmingly Democratic. Veneman was the chair, but really had no power to do anything. That was part of the reason they wanted me on there, to make sure that Jack couldn't do anything the management of the house didn't want.

MORRIS: Why did he appoint Veneman as chair?

CORY: He was liked and respected, and at that time there was the concept of trying to give some of the chairmanships to

Republicans. There had been a bipartisan tradition in the house that has eroded since then. It was a symbol of bipartisanship to have some of the positions, that was a key position, a major committee, a very significant committee-- and it also had the advantages that it was clear that they were going to have to raise taxes. Having a Republican to chair the committee would make it kind of difficult for the Republicans to repudiate the tax increase.

MORRIS: Right. And would offer some legitimacy to the need for more taxes.

CORY: Right. So there was all that in there, but at the same time, procedurally the majority, and some of my job was to make sure that we always had a majority of Democrats in the room.

MORRIS: So it was a matter of keeping track of where people are.

CORY: Just making sure that . . .

MORRIS: Telling them they should be there today.

CORY: No; no. Not telling them that they should be there; everybody knew that, and the attendance was during that era people just were there more. But if they started to leave, to go present a bill, and they were going to give the Republicans a majority voting for that day, just voting for that period of time, then you'd have to say, "No, you can't leave," and so on. So you had to be there with Veneman, so that he wasn't going to do anything. At that time, people's word was very good. We worked--the time margin was always an overwhelming majority on that committee of Democrats, and there would always be at least a plurality.

MORRIS: So that you were pretty well able to determine what was going to be voted on, and . . .

CORY: Then the next issue, period of time I was sitting on that was Joe was chairman under Monagan, again part of the bipartisan tradition. At that point, we didn't have a majority. And then we got the majority back, and Joe stayed as I recall as chairman of Rev and Tax. The committee consultant, David Doerr, stayed and he was a constant all the time.

So, I can recall during some of the times when the Republicans controlled the committee, it was sort of a different era, and then when we got the majority back, then

there was a strong Democratic majority on the committee, and it functioned differently. Joe had more freedom to do what he wanted. Previously he was a captive, because he was chairing it under the Monagan regime. So there were those different types. There was sort of Joe Gonsalves as figurehead, and Joe Gonsalves as chairman and, in fact, Veneman as figurehead.

MORRIS: Yes, I see.

CORY: Both of the distinctions.

MORRIS: Had tax reform and tax limitation both begun to surface as important, in the beginning of your service on that committee?

CORY: Well, people were always opposed to taxes [laughs]. When I first came up here to work there was a senator who openly acknowledged that the secret to his overwhelming popularity in his district was that he voted for every appropriations bill and against every tax bill. And that's what he did. This axiom has become the ultimate art form in politics today, unfortunately. [Governor Ronald W.] Reagan basically imposed the two largest tax increases the state of California would ever see on the people of California, but he was able to manipulate the media into believing that he was against spending, and against taxes. The largest welfare increases were signed into law by Ronald Reagan. So, it's more, I guess, perception.

But there was some of that bubbling up at the time. Probably one of the early ones was in '69, '70, the Watson initiative, to limit property taxes.¹ Nobody in the legislature took them very seriously; the governor didn't take them very seriously. He was all for lessening taxes. There was a Republican mythology that property taxes were too high, but then Republicans would by and large vote to increase those taxes. But not as a party position, but individual legislators would end up voting and Reagan signed bills, that would allow property taxes to be increased. It was during this era that the seeds of the property tax revolution were sown; it was the beginning of it, and it wasn't really organized or all that well put together.

MORRIS: That's the point that has really puzzled me, because as a

homeowner, my property tax bill comes from the county. And, I'm unclear what the state authority is in terms of regulating the county's taxing authority.

CORY: They're all creatures of the state, all local governments are creatures of the state, but that's just the jurisdiction, and it became politically expedient to keep the focuses there. It started out by and large a technique used by the California Teachers Association, to develop a broad base of community support for financing for schools. At that period of time, around 60-some-odd percent of the total property tax burden went to finance schools. Sixty to 70 percent of the total education costs were born by the ad valorem tax. So there was the argument [that] this is unfair, it should be fifty-fifty. When you have partners, it should be fifty-fifty, but in fact, it never . . .

MORRIS: State and county.

CORY: Yes. State and local property taxes. So the argument went, because the state isn't paying its fair share, you property taxpayers have to pay more, and therefore if you get the state to pay more, you can pay less. Which is not really what the school people wanted; they weren't willing to give any money back.

MORRIS: Right. But they wanted to increase the total.

CORY: Historically, things were different than in 1987. The time context of the educational establishment is important to consider here. Teachers were much less militant, they were much more of a company union, they were much more administrator-dominated. What little they did politically was take to the streets to tell people that their property taxes were too high. In other words, petition-gathering things, which the whole purpose was the school finance bill (more money for education). But in the process, they fanned the flame for telling people their property taxes were too high. So that was the technique they used to get people to

1. Proposition 9, the [Los Angeles Assessor Philip] Watson Initiative, was defeated on November 5, 1968.

sign these petitions. And every year, from '63 to--I don't know. They're probably still doing it. The school establishment would come in with millions of signatures, so that created a thing that focused on property taxes, and that the solution was somehow resting in Sacramento.

MORRIS: Was that an initiative-qualifying device, or just letters to your legislator?

CORY: No--yes. It was a petition that had no more substance except that it was great PR [public relations], and it was one of the techniques they used to pass the new finance bill. And so, you had that going. Nobody paid that much attention to it because it was substantively inappropriate, as you found out. It was misguided, but it had its effect at the local level of creating the problem, and that time gave rise to [Howard] Jarvis and his people trying unsuccessfully, and then they finally got hooked up with some campaign technicians [who] knew how to run a campaign, and they became successful.¹ But the growth of that and the fact that nobody took them seriously, but nobody was willing to put up any money on the Watson initiative. A lot of the business establishments said, "Wait a minute. If that happens, something worse can happen to us, we won't be able to quit," so a lot of the business community decided they would fund the campaign against the Watson initiative, and it was defeated.

Subsequently, that concept that the business community was better served with the status quo tended to fall apart, and they didn't fund the opposition. Jarvis was not very credible, and people had missed the point, that [William A.] Bill Butcher and Arnold Forde had gone to work for them, and that they were very talented people. They were able to pass it.

MORRIS: Did Butcher and Forde go to work for them because they agreed with the proposition that Jarvis was propounding, or was it just that it was a good campaign that looked like it had

1. Proposition 13 (June 1979)

adequate funding?

CORY: That's something that only they can truthfully answer. I have known them for years, Bill Butcher and I were married to sisters. We grew up together; we played basketball together, and I just feel that, for those reasons, I just think it inappropriate for me to make a value judgment on what somebody thought.

MORRIS: Did you use them in your own campaign?

CORY: I did. Bill ran my campaign in '66. We worked on campaigns together for [Richard T.] Dick Hanna. Arnold Forde ran my primary opponent's campaign in '66.

MORRIS: Before they were partners.

CORY: Yes. Bill is still a very close friend of mine. They became business partners in, I guess '72, sometime in that range. I'm not sure. Bill was involved in another company before that. Bill was one of the people that even after he wasn't being paid, I would call him, and ask him, "What do you think of this?" And he would tell me. So he's been used in every campaign as a reference.

We've also been on opposite sides in a campaign. He and Arnold Forde ran in '74, they were in business together, and they ran [] McKeever's campaign against [Assemblyman Richard] Dick Robinson. Dick Robinson became a legislator, I guess primarily Watergate had a lot to do with it. The other thing was that a lot of the Democratic contributors in Orange County were very upset that Bill and Arnold would take a campaign of a Republican in Orange County. They were just so offended because Bill and Arnold were looked upon as Democratic campaign workers. So the contributors just decided that they were not going to have an easy time of winning that election. A lot of energy was put into figuring how to make them work to win what was assumed by all to be a Republican seat. It should not have been won by the Democrats. They put a lot of money into the campaign. Surprise, they elected Robinson. He was a very good candidate. And they had some luck aside from Watergate. McKeever had some baggage that nobody was aware of. There was enough money to find out what that baggage was and to exploit it. And so Robinson became the legislator, but that

was not so much motivated pro-Robinson, initially, as it was anti-Butcher-Forde.

MORRIS: That's interesting, that the campaign management for him would become an issue.

CORY: You see, it's a small subculture, the contributor types were just very upset that the people they'd been giving money to would work for the enemy.

MORRIS: That's the same era that [Stuart K.] Spencer and [Bill] Roberts were making a name for themselves, as the new kind of campaign management. Did they run a similar kind of approach to the campaign as Butcher and Forde?

CORY: No. I had, from the Forde campaigns against me, Spencer-Roberts [Company] ran a campaign. I was never that impressed; they were much better at statewide campaigns. They relied heavily on Wirthlin. [Richard] Dick Wirthlin, at DMI [Decision Making Information], it was called, the pulling operations. Their first early success was their involvement in the Reagan campaign against [Governor Edmund G.] Pat Brown [Sr.].

MORRIS: '66.

CORY: But that's the nature of how reputations were made, in that business. I could not conceive of the circumstances in which Pat Brown could have been re-elected in 1966. Most campaigns, the campaign doesn't make that much difference. There are very few where a campaign would make a difference.

MORRIS: In which the campaign firm . . .

CORY: No. The campaign. The whole campaign is irrelevant, in most elections. Eighty percent of them are irrelevant.

MORRIS: The public has already made up its mind?

CORY: Yes. They may not know it, but they have.

MORRIS: Now, that's an interesting idea.

CORY: It's not an interesting idea; it's a demonstrable fact, if anybody just looked at it. People vote based upon their party registration. Most of those districts, there are certain moods and climates that shift on top of that, but in terms of local legislative races, very few of those are changed by the campaign. The Robinson-McKeever case was an exception. But you can lay some factors on them. But 70, 80 percent of those legislative races are never in doubt. Most

statewide campaigns, the press makes a great deal about them because people write the stories, and they make their living writing the stories, and if they wrote the story that Pat Brown could not get elected, there were always the people who will go back to '48 and show that there are differences, surprises do occur. Statistically, it would have been a bigger upset for Pat Brown to have won in '66, and any Republican--Warren Christopher. . . .

MORRIS: George.

CORY: Right.

MORRIS: One wonders sometimes why Warren Christopher didn't run for office.

CORY: George Christopher, and whatever Republican they'd have put up would have won. Anybody except [former Vice President] Richard Nixon would probably beat Pat Brown in '62.

MORRIS: So that was the case where circumstances

CORY: Circumstances changed, and there were. . . . that's a case where the campaign made a difference. But there are very few of those. It was not a close race in '74; [Secretary of State Edmund G.] Jerry Brown [Jr.] frankly ran a very poor campaign. [State Controller Houston I.] Hugh Fluornoy did the best he could, not knowing that he was doing as well as he did. But that was as close as he was ever going to get. It was a non-campaign, with a non-issue. Not many Democrats decided it was worth voting for. Democrats tend to vote less than Republicans. So that ratio we maximized the Republican position and minimized the spread.

Jerry Brown had a great campaign in '78. That was a great campaign. That campaign made a difference. He could have lost that; [Attorney General Evelle Younger] Ev should have won it. Another candidate might have won in that one. [Los Angeles Mayor Thomas] Tom Bradley the next time, I think that's as close as Tom could come. There was a serious problem, as the electorate has shown. I think it would have been very difficult for that Democrat to have won that year. Particularly difficult for Tom to have won, the first time he ran.

MORRIS: He had the matter of registration changing throughout the state, plus the fact that the race question never surfaced,

but just affected people?

CORY: Yes. It's there, and if Tom did anything to really maximize the black vote, to really encourage them, it would have concerned bigots and gotten them to vote against Tom. Tom has always been a very middle-of-the-road kind of person. As a result, Tom does not excite the passions as a Willie Brown or a Jesse Jackson excites.

MORRIS: That can overcome the element of bigotry?

CORY: No, it doesn't overcome it. That's why he's not threatening to bigots. But, by the same token, by him being nonthreatening, he doesn't rally the black community, where it's a cause that they've got to do something about. Martin Luther King could rally them, but he threatens whites. Tom is much more of a coalition kind of person, but it also left him with the hard core bigot who wasn't going to get to vote for him. He couldn't--in terms of trying to put on a campaign if you really worked the black community, to maximize the registration, you started that way in advance, all of these things would go to threaten the bigots. And thus the campaign was immobilized. It's terrible, because there are a lot of weird people who like to run around in white sheets.

MORRIS: In the legislative caucus, were those kinds of considerations discussed, in specific elections?

CORY: No. You can't discuss those if you're in politics. Look what happened to [Governor George] Deukmejian's campaign manager, in '82. Stu Spencer mentioned that there was a latent bigot vote. This caused such a stir in the press that he was relieved of duties. Because the press implies that if you discuss the reality of bigotry, you are maybe a bigot yourself. And you repeat the very distinct questions that they can use. You can only discuss things in a very antiseptic academic realm, or it will be shortened in the newspapers to you being the bigot. That's why there is not a great deal of valid research into bigotry.

MORRIS: If your view that most elections are won before they are started, based on party voting habits . . .

CORY: There's the overlay of the trend of where the populace is, what's happening to them, what they feel, those kinds of

things, will affect a very few voters. In some cases, that will make a difference. In some cases, you can get enough media for something, for a candidate it will make a difference.

MORRIS: But is that a general view, amongst people with your kind of political experience?

CORY: No. Most people in the business don't know why they won their elections. But people who are really very good at running a campaign, I think all clearly understand that.

MORRIS: Okay, my next question is why do campaign costs tend . . .

[End Tape 1, Side A]

[Begin Tape 1, Side B]

MORRIS: . . . to rise to sort of geometric levels, despite repeated efforts at campaign reform?

CORY: There are a lot of reasons. Reform is a misguided goal most of the time. Reform is a catch phrase that people who don't understand the problem try to apply to their solutions to the problem.

Campaign expenses have gone up, of course, for very basic and fundamental reasons. The munitions of the campaign battle, postage, printing, electronic media, print media, have escalated in price far greater than the cost of living. And if you look at the profits, if you look at the ad you had scheduled for TV and radio time, newspaper advertising, scheduling rates, they have far exceeded the inflation rate. The media industry doesn't want to talk about that. But Capital Cities [Corp.] didn't take over ABC [American Broadcasting System] because ABC was losing money. The industries over the last fifteen years have gone through both. . . . a major portion of it is that, just the cost of munitions have gone up.

Technology has driven the cost up. The concept of. . . . whereas twenty years ago, one or two pieces of mail would be the most anybody would receive.

MORRIS: From one candidate.

CORY: Yes. People have discovered that repeated impacts do work.

They are effective. Therefore, people use them. People don't look at all of their mail, but there might be some piece out there that somebody would take the time and really create a new idea for a campaign.

MORRIS: You could always weigh how much you got, in terms of ounces from this candidate, and how much you got from that candidate.

CORY: It does work. There is, I would guess . . . I haven't done it, but I would guess there would be a strong correlation in any race in which the difference could be made up. You could see it in . . . six or eight years ago there was a race in Pasadena, Republican district that had been shifting demographically slightly. A black man ran in the race there that nobody took very seriously, and at the last week or ten days, he'd get out four or five pieces of mail, and he did better than the registration. The Republicans did win, but it was close. I believe that there is a correlation if you are careful about your benchmark, that is the number of contacts.

The other thing that happened is, that an aftermath of . . . just on the speakership, has been the concentration of the power on the speakership, and so it becomes important for the speaker to make . . . he has a constituency of legislators that he must appeal to, to stay the speaker. And making sure that they're totally comfortable, that they have enough money, so that nobody could possibly beat them, or just an unnecessary security blanket, and makes the legislator dependent upon the speaker. It serves that function, so a lot of the money we spend in politics has no relation toward changing the office, electing the person, other than electing the speaker. It creates the incumbent.

He says, "Well, I can't get blindsided if he spends two hundred thousand dollars in this campaign. It would make my next campaign easier because I won this time, so easy." And, the speaker is willing to direct that money into those safe districts, because it means that that person is beholden to him.

MORRIS: It increases the loyalty between the incumbent speaker and the incumbent legislator.

CORY: Yes. There are numerous races where--one of the classic things was four years ago, [Assemblyman Meldon E.] Mel Levine was running for Congress, with the same kind of psychology that takes effect. And it happened to be that statistically the way the votes came in it looked like he was in trouble. But when they did the final tally, what happened? Mel got just about the same number of votes he always gets. But they happened to get reported in such a way that Mel was "in a close race." He believed it was a close call because that was the experience he lived through emotionally. In fact he was within a percentage point of his previous election.

MORRIS: They voted by seven p.m.?

CORY: Yes. And they probably happened to count them, caused this creation. So the following election, Mel spent a lot of money, because he was very concerned but in fact he really I mean, he'd fallen maybe one percentage point than what he had done the previous year, and he was a slam-dunk.

So you get those kinds of things. People are nervous and most of them really don't know why they got where they are. And so they are wanting to do well, and not wanting somebody to build up a heavy seat. And there are people, incumbents, who do lose. But most of them tend to lose because they're missing the major trends of the time.

The '66 sweep of Reagan where the people were pulling very well up to a few days before, and then ended up losing because of the bandwagon effect, that occurs. But it's an imprecise business, and most of the people in there don't know what they're doing.

MORRIS: The question of spending and some of the ethical questions as to whether people are spending money appropriately: were those of concern to this joint legislative Ethics Committee that you were on, and I can't find out any information from?

CORY: Well, no. The Ethics Committee at that point in time, the concept that somehow that committee should police the campaign contributions, is nothing. That was not . . .

MORRIS: That was not a part of that committee.

CORY: No. It was whether or not there was influence peddling, whether people were taking money for doing something. It was

an outgrowth of Proposition 1A in 1966.¹ The one that created annual sessions and doubled legislative pay. An outgrowth of that was a requirement that there be an ethics committee in the legislature, to look at the concept that had existed before when legislators were part-time and were not paid. It was standard procedure during that era for a legislator to have a private law practice, and be chairman of the Health and Welfare Committee, who would represent the five for-profit health care services that would be in business at the counties. They began the contracts for them, then the counties would come in and try to get appropriations bills and have the Health and Welfare committee pay for them. That kind of thing. That was something that the newspapers did not like, and that was the quid pro quo in getting the pay increase. They were saying, "Look we're paying these guys five hundred dollars a month, they can't keep their families, you've got to do something," and they said, "What are you going to do to make sure these abuses don't continue?" And so the Ethics Committee was set up to deal with that question.

So it was, by and large, I think a substantial change in that era, a substantial change in the way all people did business, those who got close to the line, at least hit it, and people were unaware of it. The only substantive thing I can recall was, I think, an erroneous charge made by a local newspaper against Pauline Davis, assemblywoman. They had a series of hearings, an investigation as to whether Pauline had profited by purchasing some land too cheaply.

MORRIS: Did the charges at that time, did that fall into the same territory as insider trading, in the financial world?

CORY: It's not regulated. The SEC [Securities and Exchange Commission], when you say insider trading, generally that is historically dealt with by the Securities and Exchange Commission. It's a specific crime related to a publicly issued stock. The implication was that someone wanted

1. November 1966.

Pauline Davis's influence and therefore sold her a piece of property at less than its fair market value, in exchange for her influence.

MORRIS: On where a highway would go?

CORY: Who knows what! It was never very clear. There was really not much substance to it, and in fact, I'm not so sure that Mrs. Davis didn't pay at least market value, if not more for it. The difference being--the essence of the newspaper article was alleging that because a person came in, with a piece of raw rural land and sold it on television in Los Angeles, with a hard sell and free trips, all these kinds of selling expenses and whole financing, that they take the retail price of those lots and put it on a larger acreage per acre, then she underpaid. I think that in fact all of the people who were buying these high-priced lots were being raped. It is that kind of an argument where you could see that--you could show that there was land being sold, at least on paper, for huge amounts of money, that huge amounts of money were going out and selling plots in large numbers, that nobody ever paid for. People would default upon them.

MORRIS: It was an issue at that point, and certainly by the early seventies.

CORY: That question came up with whether or not. . . . In fact, the people who originally owned the property were long time friends of the Davis family, they had had some interest in the property, and they sold them an adjacent piece for what appeared to be. . . . I was never convinced that there was anything to it. That's the only case that I can recall.

[Senator Robert S.] Bob Stevens was chairman of the committee, when I was serving on it. I can't remember who else was in. . . . Bob Stevens was a senator, a Republican senator, who ended up in controversy. He was appointed to the bench by Reagan.

MORRIS: Was your observation that the charges against Stevens might be politically motivated?

CORY: No. I think it's just that if you have a judge or a politician, and people can write about sexual conduct, it makes a pretty good story. Somebody who was alleging, whether the person was alleging to blackmail Stevens or not,

- I don't know what it was. There was no prosecution and someone brought up judicial qualifications, looked at it.
- MORRIS: Did this Ethics Committee continue, or did it sort of peter out?
- CORY: It was in existence until Prop. 9 repealed the requirement of it.¹ I think it was a constitutional requirement.
- MORRIS: So it was replaced by the Fair Political Practices Commission?
- CORY: Yes. It was replaced; and it may still exist. I don't know what happened. I left the legislature when that came in. I remember that coming up at the end, and the Davis case is the only one I can recall that we dealt with.
- MORRIS: Did you have a feeling that the fellow members of the legislature were aware that it was there, and that the committee might have served as a caution to mind their manners?
- CORY: There was a strong feeling of esprit de corps, of pride in the legislature, concern about the reputation of the legislature, and all that had a more therapeutic effect than did the committee. The committee was there and it would function, and they would not, if they had facts and firm information against somebody doing something that they shouldn't, influence peddling, I think the committee would have dealt with it. But the peer group pressure was just too strong to the extent, subsequently, I've run across cases where people were sort of doing that sort of thing, they really did it surreptitiously. It was not well known. It was not general knowledge; people were very embarrassed by it and would try to avoid it.
- MORRIS: Well, earlier you commented that Jesse Unruh as speaker made it his business to know what people were doing in the legislature. Did later speakers not pay that close attention to what members were doing, so that they would have some kind of signal if somebody was maybe going a little close to the line?

1. Proposition 9, June 1974.

- CORY: Well, I was there. [Assembly Speaker Robert] Moretti kept pretty close track of that. You can't keep total track; it's not a surveillance system. People watched for that and worried about these kinds of things, and there was a lot of peer group pressure. In Bob Monagan's case, he was the one who was there for one term, and so he didn't get a great deal He was still trying to get organized, when he lost the majority. He was just sort of struggling with that issue.
- MORRIS: His concern was more in trying to keep the governor afloat.
- CORY: And just get control of the assembly. And I don't think he ever really got control of the assembly the two years he was there.
- MORRIS: Then, shortly after, the Republicans lost the legislature, and Monagan lost the speakership, then you're back into a reapportionment thing. Were you continually on Elections and Reapportionment or did you go on it for this . . .
- CORY: I went on it for reapportionment. I guess I served on it for about four years; I'm not sure of that--probably did. Because I was caucus chairman and that sort of required house management meetings.
- MORRIS: Mr. [Assemblyman Jim] Keysor is listed as chair, and he's sort of a vague figure.
- CORY: [Laughter] You get a good perception of Jim. Jim last ran for office, he ran for county assessor in L.A. County in the last election, I think. Made a run-off, in the San Fernando Valley. His family is in the record business, actually making the disks, pressing the vinyl.
- MORRIS: Oh, before it is recorded and made into . . .
- CORY: You do a master recording, and they do a thing, and then there's somebody who just puts out widgets, which really don't have anything to do with sound, but they were just stamping vinyl. That's what their family business is.
- Jim represented one of those marginal districts, one of the few districts where the balance of power can shift within a district and has shifted back and forth through the years. [Assemblyman] Henry Waxman had been chairman of the committee. Henry went over to Health. I think Henry probably ran a subcommittee on reapportionment.
- MORRIS: Aha.

CORY: So Keysor was there, but that's not where the action was. That wasn't what was really happening. But that's not unusual, in the '62 reapportionment, the '66 reapportionment, [Assemblyman] Don [] Allen was chairman of the Elections and Reapportions Committee. But he didn't really preside over the Reapportions. There was a subcommittee on Reapportions. It was just the staff of people that are hired. They do the things in there, a group of legislative leaders who sit down and do the work. So Jim was there; he was not an integral part. He was aware of what was going on, but the speaker and the house management had probably more to say about that than did Jim Keysor.

MORRIS: So what you wanted as chairman was somebody who was obliging, rather than somebody who was . . .

CORY: People assumed, going back historically, you used to be able to put a strong person in in the reapportion year to do the reapportions, and other times Elections and Reapportions was not a choice committee for those people. The stuff is relatively mundane, it is relatively cut and dry, and not a whole lot of fun, just sort of housekeeping.

There is still that business to be done, and people-- when they saw what happened in '66--people were unwilling to give up a major committee chairmanship like the Health Committee, to do the chore which people wanted the best minds there. So, it became an ad hoc thing after the '66 thing, saying we really want to do that. Why waste a very talented chairman of Health, bring him back, we need him to run the Health Committee, and he put this thing together on an ad hoc basis. And that's just the way it's done.

MORRIS: And then bring him in when you really need him, for the key district boundaries . . .

CORY: The art form of reapportioning has developed scientifically to the point where the house management--the speaker, the major legislative leaders--negotiate those deals, and put them together. It's done with computers, it's done with a basic data base, any way that you can manipulate it and show different options with the different results. It's better to leave with standards that are likely to be applied. And so you don't need to do it in the traditional committee fashion,

done with the subcommittee, and the technicians. Most of the work was done; most of those bills that came out, 80 to 90 percent of the legislators loved what was happening. Every time you help a Democrat, you help a Republican.

MORRIS: I don't follow that one.

CORY: See, that's the thing that the press never tells the world about, that the realities are that reapportionment occurs the way it occurs because it is in the Republicans' interests to have certain districts. They don't have to work very hard. It's a pain in the ass to campaign. And so, they want all the Republicans they can get in their districts; they don't want to give them to the Democrats.

MORRIS: But the Republicans, as well as the Democrats, also wish to control the house.

CORY: The Republicans are a minority party, and they know it.

MORRIS: Even though registration figures appear to be changing?

CORY: They don't change that much.

MORRIS: That's interesting, because I remember somebody, I think it was in the senate, saying that his observation was that in the course of a ten-year period between reapportionment, the demographics of the number of districts changed. Therefore something that had been strolled over as a Democratic safe district in 1961, say, by 1972 could well have become a Republican safe district.

CORY: Those, and vice versa. The demographics. But in terms of the overall spread . . . Berkeley used to be the bastion of conservatism.

MORRIS: I remember that.

CORY: [Assemblyman] Don [] Mulford.

MORRIS: Yes. But when we had Don Mulford in the assembly, we also had [Congressman Jeffery] Jeff Cohelan . . .

CORY: In the Congress. But the districts were different. Berkeley itself, the city of Berkeley, was mossbacks, Republicans . . .
[Pause]

MORRIS: Dominated by the university?

CORY: No, not by the university. It was a small merchant class, of Berkeley, the lead Berkeley newspaper . . .

MORRIS: May it rest in peace. [Laughter]

CORY: Yes. It was a major thing, and they sat there, and lived in

their own world, and they had Don Mulford and Piedmont, and that was Berkeley. The students, the coalition between the students and the blacks . . .

MORRIS: When the students became eligible to vote. Have you studied all the districts in California as carefully? You seem to know the Berkeley district quite well.

CORY: Yes. I was involved in various reapportions since '62.

MORRIS: So you knew key districts around the state.

CORY: Yes. I would have to sit there, and explain to legislators why they wanted a district; most of them don't even know what's best for them. You would divide that up amongst the leadership. I wouldn't talk to all of the members, but I would take this area and I'd go talk to this guy, and understand what his needs were. These leaders would talk about what we needed to do in this area, what kinds of voters would vote for [Assemblyman Charles W.] Charlle Meyers. What can you do to help [Assemblyman John Kenyon] Ken MacDonald? You'd spend months on this question.

MORRIS: Talking to individual legislators one by one about the particulars of their districts?

CORY: About what they thought their district was, and maybe a third of them knew enough about their district to be helpful. Most of them didn't. I doubt that they do today.

MORRIS: Well, nowadays we have things like the Rose Institute, outside the government, doing a lot of statistical stuff.

CORY: That's just the Republican party.

MORRIS: I understand it's got Republican connections . . .

CORY: No. That is the Republican party. Those are the people who do the reapportionment, and have done it for twenty years, for the Republican party.

MORRIS: I see. The Republican party retains the Rose Institute to do the . . .

CORY: No. The people at the Rose Institute worked over here as the Republican staff doing reapportionment. Just as Michael Berman and Carl D'Agostino, who worked for me, go in on reapportionment and do it for the Democrats. They are the Democratic party for reapportionment, and have been for a long period of time, and the Rose Institute is that, and they do a . . . the Republicans are just better about trying to

put a front on things, and appearing to be nonpartisan, and
 . . .

MORRIS: And they have an academic . . .

CORY: Yes. That's what it is. I'm trying to think of the guy. . . .
 the Republican party to the extent that it had a rapport
 with an academic institution, had it with Claremont College.
 I could see the guy's face, just can't remember his name,
 either starts with an H or had an H in it. A pretty decent
 human being, a pretty good Republican.

MORRIS: A good Republican needed to be a decent human being?
 [Laughter]

CORY: Hmm. He'd sort of started the thing down there, and he was
 involved in the Coro Foundation programs, so it's an
 outgrowth of that. The guys left after '62, '66
 reapportionment I guess. But that's what they are.

MORRIS: Are the Rose Institute statistics different than the ones
 that would be developed by legislative staff?

CORY: The data--you'd be required to use census tract data. You
 start with the same basic information. Then the question is,
 what building blocks within the census do you use? Do you
 use census tracts; do you use enumeration districts? How
 small do you break it down? My observation that I remember,
 I don't know what they're doing at this point, the well of
 data put in would probably be more accurate on the Democratic
 side, because they have more money, more direct access, and
 better people. But it was the same basic statistics; the
 Democrats haven't led the, through the years, the edge of
 using smaller building blocks. The enumeration district as
 opposed to the census tracks, which maybe was put out more
 refined.

That also enables you to get more accurate, as your
 standards of equal . . . one man, one vote, get more
 accurate. Feeding in the latest updates, because populations
 change.

MORRIS: Those census data are not all that speedy. They only get
 them once every couple of years.

CORY: The basic census data came out in '72; they do it on the
 decennial census. The big census is done once every ten
 years, but there is a big question as to how fast that's

coming out, from the Census Bureau, and what you get, and how you manipulate that data. How sophisticated your programs are, and what. Ideally, I guess we would probably prefer to use each individual household.

MORRIS: Would you use the smaller enumeration district, then you can draw a line that sort of wiggles around like some of the famous [Assemblyman] Phillip Burton designs?

CORY: You can be far more accurate in making sure that you're approaching total one man, one vote. That's the purpose for that. If it happens to put together people who have homogeneous views, that's a fortuitous circumstance.

[End Tape 1, Side B]

[Begin Tape 2, Side A]

MORRIS: . . . leverage in a particular situation.

CORY: See, that is not what's happening. That is a total misnomer of what's happening. You have got a hundred and twenty legislators who want to save their ass. Because if they have their seat, they get to play in the game.

MORRIS: And that's more important than their party having control of the house?

CORY: Oh, yes. And that's why there is total agreement on these bills. Now, people stand up, particularly the Republicans, and lie, but the Republicans basically drew the lines where they wanted, and they would decided which of their members would get the ax. And they would be booted basically because they're antisocial. I mean, it is not a Republican versus Democrats, it is a bunch of people who are in office who are wanting to perpetuate themselves.

MORRIS: What influence on the '72 reapportionment was there from Lieutenant Governor [Edwin] Ed Reinicke setting up his own commission on reapportionment?

CORY: Everybody was fairly comfortable that the Reapportionment Commission was not valid under law. It would not be upheld. There was a constitutional provision that everyone--75-80 percent of the bench--said was unconstitutional, would not be a relevant factor. If an accommodation could have been

achieved, in which it would come up for a signature--we're talking about '72--that would have been helpful. And accommodations, adjustments, would have been made. There really wasn't one that would enable the thing to take on a life of its own in the media, where the Republicans would not provide the Republican accommodation that would allow them to live with their posture.

MORRIS: In other words, they couldn't come off their high horse and work out an agreement with the . . .

CORY: Ended up with a court reapportionment that was really far more devastating to the Republicans than what they could have gotten. It was a very tough partisan thing the court did.

MORRIS: There continues to be the thought, in fact it's gone to the ballot, that there should be a reapportionment commission rather than it being the legislature doing the reapportionment.

CORY: That's nonsense. It's just absolute foolishness, that people who don't understand what's really going on, and understand that this country exists today as a noble . . . It's a fascinating experience that this country has existed for two hundred years. It's done so by reapportionment.

MORRIS: It reminds me of the idea of enlightened self-interest, which you used to describe the survival of Keyser.

CORY: But the enlightened self-interest and the balance of power, the checks and balance system of this form of government, took into account those kinds of powers, and contemplated them and dealt with them. And this system accommodates it.

Now, people should really look at what a tough reapportionment. . . . the Republicans were astounded when they saw what the court had done. And the realities are, somebody has to draw those lines. Is it going to be somebody who is accountable to the people or not? A reapportionment commission will be not accountable. It only happens once every ten years.

MORRIS: You can live with anything for ten years?

CORY: Well, no, you can't live with anything for ten years, and that's why you shouldn't do it. You can't get even with the people that do it, you can't change it.

What is wrong with post-World War II education is, we

have taught people that there is somehow a right to government the way they want it, without participating in it really. There is the implication that all people have to do is go into the polls and vote on election day, and then they have a right to have the government do what they want it to do.

That's not the way it works; that's not the essence of this system, and that's not why it has survived.

MORRIS: The essence is in negotiation.

CORY: The essence is balance of power, checks and balances, and though we're really out of step, and the thing we haven't really dealt with very successfully is universal suffrage and universal responsibility. If the people really give a rip about who their legislator is, and wanted to participate and spend the time and energy and effort, they could accomplish that, but they don't. They don't really care.

MORRIS: Is there any evidence that the average voter paid more attention to electoral decisions before World War II?

CORY: The World War II thing is the rise of the managerial class of government. Government was a much different creature than . . .

MORRIS: There was professionalization.

CORY: The difference between . . . they had political science taught in schools . . . you didn't have the growth of public administration and educational administration. Those two offshoots, before there was a . . . there was sort of the ultimate of governmental scientology. There was this concept that cities should be run by city managers. "There is a correct professional way to run a city," and the managers should make those decisions, and the politicians should stay out of it.

MORRIS: Politicians should make policy decisions.

CORY: And what that really is, is horseshit. That is, the managerial class, who is accountable to no one, trying to insulate itself and doing a marvelous job of putting themselves in a position where they're not accountable, and that's why the government doesn't do what the people really want. Why Ronald Reagan's budgets, George Deukmejian's budgets, Jerry Brown's budgets, and Pat Brown's budgets all

look alike. There's six hundred people over there, working for the Department of Finance that nobody in the state of California has ever heard of, who, appointed through this bizarre civil service system we have, are creating the budget.

MORRIS: But the civil service system was broadened and encouraged by Earl Warren while he was governor as a way of doing away with patronage.

CORY: Bad mistake. It's really a bad mistake, it really is. The real problem in government today is its lack of control. We're not in control of the government. The civil service system, the politicians are comfortable with it because it makes it where they won't have to make tough decisions.

MORRIS: Politicians don't have to make them.

CORY: Yes. They don't have to decide who to hire--that's a tough decision--who to fire. You don't have to deal with that question, and you can sort of put it out of your mind. It's a whole lot more fun to play politics. But in fact, if you're going to implement a policy, it's the civil servants who are going to implement it into government.

MORRIS: They maintain that they are there to do the job of their elected masters.

CORY: No. That's not the thing. They might contend that, you watch them, and you get them in conversation, the common refrain is, "Cory, I was here before you got here, and I'm going to be here long after you're gone." And the number of times that the civil service establishment just refuses to do. . . . and the evidence is insurmountable, if you're around this place very long. It is really the biggest weakness we have--whether or not this experiment will continue to be viable--is the managerial government class. Also is a problem in the corporate community in another way.

MORRIS: Yes--businesses run by middle management. And not only middle management, but horrors! young middle management.

CORY: Yes. It's even worse than that. The upper management doesn't own the company any more. And so you see company after company who is run for the convenience of the managers, not the shareholders. And that's what has happened in the state service, which we have institutionalized, and even the

process of sort of socialized capitalism, where we've gotten large amounts of stock, put in the hands of institutions who blindly vote for management, because they believe the same concept that there is a professional way to run things. And that the board should only deal in policy.

The only way to deal in policy is if you know what's happening at the operational level.

MORRIS: Is that partly a factor of the size or the number of people we're dealing with in the state of California, for instance? When you had ten million people, it took a smaller bureaucracy to run things . . .

CORY: As you make the fundamental step to provide more and more services, you compound your complexity, and as you get more directly into those services that goes to the money end of it, and you handle money with relatively few people. You can actually operate; it becomes much more difficult. But, the concept of policy and the implementation and the huge gaps . . . if you go back to [Arthur] Art Bolton, who did some studies for the legislature in '63-'64, one of them is entitled "Death in a Piggery."

MORRIS: Is that the Department of Mental Hygiene?

CORY: Yes. It was Napa, as I recall, it was several years ago. They discovered that pigs had been eating the inmates at Napa State Hospital, and the staff had been covering it up. They would send the inmates out to slop the hogs and they would fall in, and the hogs would eat them.

MORRIS: That's gross.

CORY: And you've got these bureaucrats who are so unaccountable, they just covered it up. How they discovered it was that the person was still on the books as being there, and they were getting appropriations for them. They couldn't very well admit to what had happened, because there was going to be an inquiry, and how do you explain this. This mentally

1. Bolton was staff assistant to Assembly majority leader Jerome Waldie, and in 1967 became the first head of the Assembly Office of Research.

incompetent person was down there by himself.

If you have a policy of caring for people who can't care for themselves, and you've got professional civil servants who are implementing it in that fashion. . . . That's an outgrowth of how isolated these things are, and institutionalized, where you've got highway engineers and water engineers who continue to design projects that the people aren't for. The Peripheral Canal. Those kinds of things. That's the kind of perpetuation, and you see it it is very much a function of. . . .

Pat Brown was able to get the California Water Project passed, and one of the great virtues was that there was until the election four years ago now, I guess, on the Peripheral Canal. The Department of Water Resources did not need to go to the people or the legislature for anything. Twenty odd years?

MORRIS: They had their revenues automatically built in for them.

CORY: Yes. And as a result, those people were so out of touch with reality, and what the electorate and the media thought was the Peripheral Canal. In fact it was another twenty, twenty-five years of building that had that been approved. It wasn't just the Peripheral Canal. Huge reservoirs up north.

MORRIS: An engineer's dream, the whole California Water Plan.

CORY: And the highway system, where it became the other government. The legislature finally rebelled, by the people putting enough pressure on it, and as a result we miscorrected, if you will, because rather than having a continual flow of roads that people need and had to have, we just shut them down. Those are the kinds of things that happen, and that's the thing where policies aren't being implemented. Those people in those agencies decide what policies will be implemented.

MORRIS: Well, governor after governor. . . . in fact it could almost be described as the task of the government to get control and to try and implement a manageable standard control, and in the last twenty years what we've seen is the growth of the superagency.

CORY: In the twenty years I've been here, no governor has controlled the state.

MORRIS: But they've tried. They've seen that as . . .

CORY: No. There were little areas that Jerry Brown would control. That was one of his weaknesses as governor; he would focus so much down on it. Ronald Reagan had no idea what was happening; it doesn't concern him.

Pat had some big ideas of the water project, or Master Plan for Higher Education--he had some certain broad objections to the policies and tried to lay it out, but he didn't even know what was happening in those agencies. Of course, Pat's a delightful personality; he is a delightful person.

George [Deukmejian] doesn't know what's going on in those agencies. His personality, the concept of what is really going on in the Department of Corrections, incarcerating people with . . . I mean, the actual agony of the human interaction at Soledad or Atascadero, or the criminally insane--that level of human interaction--I don't know what George would do with that. I doubt if he really knows, because he has a very strong moral position, but I think it satisfies his need for bad people to be punished.

MORRIS: I had one other question I'd like to try you out on today and that is that you were on a joint committee on the public domain, set up in 1971.

CORY: Actually, that was a continuation of a committee that was created in '63 or '64.

MORRIS: Was that related to this idea of trying to get a handle on what was actually going on in the state parks?

CORY: No. The Joint Committee on Public Domains: its successor committee was the Joint Tidelands Committee. Jesse Unruh chaired it. It must have been set up in '63.

MORRIS: Okay. Its predecessor . . .

CORY: And the issue was how to develop the East Wilmington Field in Long Beach, an oil field. And there was a substantial battle to revoke the trust that was granted to the city of Long Beach.

MORRIS: Federal trust?

CORY: No, the trust from the state of California granting the mean high tide line to the three-mile limit that was controlled by the state of California, under settlement of the lawsuit on

this legislation. It was granted to the city of Long Beach. They finally discovered that it was a very large oil field, the second largest oil field in the lower forty-eight states. Second only to the Yates in production.

The Brown administration, primarily at the urging of the major oil companies, particularly Chevron [Corporation], wanted to revoke the trust, and have it put out to bid by the state, through the State Lands Commission. The law called for a bonus bid system in that case, which was very advantageous to the oil companies.

Long Beach was further along in the development of their resource management and would not do it that way. They wanted the development on it on a net profits basis, which would provide more money over a longer period of time and have more control over the environmental issues.

MORRIS: And also the revenues went to Long Beach.

CORY: Yes and no. The money went to Long Beach, but they could only spend them for trust purposes, which was for statewide purposes of commerce, navigation, and fisheries. Any revenue derived on any of the trust properties, was impressed with the trust, could only be used for the purposes of the trust, which generally speaking is commerce, navigation and fisheries, of a statewide nature. The allegation was made that we should get all that money, we get twenty million dollars, in one lump sum maybe for education for the state. In all of this, what was really going on was to put enough in the coffer, really have to pay a real price for the oil, or get it cheap.

But there was a huge battle, and the committee was created, Jesse chaired it, lots of negotiations, finally it was resolved. When I came in, Jesse asked me to chair the committee. So I was chairman of that joint committee for all the time I was in the legislature, but it had two different names. I take that back. When the Republicans took over, there was a year period of time--one year--when I wasn't chairman.

For one year, [Senator Stephen P.] Steve Teale was chairman, and I was vice chairman, and I developed--I ran it.

MORRIS: Teale was agreeable to that?

CORY: Yes. It was a deal that I put together. Monagan didn't really understand the speakership, didn't understand the rules very well of the legislature. They changed the rules afterwards, but at that time joint committees, the committee membership elected the chairs. The resolutions setting up the committees provided that. The joint rules provided that.

Monagan, in putting together his speakership, offered to give [Assemblyman Newton R.] Newt Russell the chairmanship of that committee, not realizing that he didn't have the power to give it to him. So, I went out and engineered a thing that seemed to be more seemly, rather than having them elect Newt chairman, they elected a senator, a Democratic senator.

MORRIS: You wanted the committee still to be Democratic?

CORY: I wanted control of it, for a lot of reasons. So I just engineered the thing, got the votes together, so they came in and elected Steve Teale chairman, me vice chairman. Steve said, "I'm awfully busy; I don't have time to run it. I move that the vice chairman run the committee," and everybody seconded it, and everybody walked out. Newt Russell was left just sitting there trying to figure out what happened, and went down to Bob Monagan's office and asked him what happened. And then they realized that, with the Republicans in a majority, they could put a change in the rules to provide that the speaker or the president pro tem would select the chairman of the committee. This was already done, and it was elected for the duration of the committee.

The other thing that happened during that period of time--Newt finally at the end of the year of the next year Monagan appointed him, but we had entered in the contracts so that the staff had irrevocable contracts. All the money that the committee had, had been spent, and was encumbered by these contracts, so the staff was beginning to work for me, and Newt Russell was chairman.

MORRIS: Who was the staff for that committee?

CORY: A fellow named [] Chuck Baldwin. He was first consultant through Jesse, and then I inherited it from Jesse. I then hired Carl D'Agostino. We went about as far as we could go with it, Carl and I. Then when the Democrats got control of the legislature again, I went and hired a fellow from the oil

industry, who had done about as much generic work as we could do, and I hired a fellow named [] Bill Northrop.

MORRIS: That was letting a fox into the henhouse?

CORY: No. Well, I guess you could say that about me sort of. My father had been involved in the oil industry, and Bill Northrop had been working for my father. I had known him for a long time, and he was a right-wing Republican, but a very knowledgeable oil person in terms of the area that we were interested, which was price fixing.

MORRIS: I thought price fixing was a dirty word.

CORY: What do you mean?

MORRIS: Well, price fixing in some areas, like pharmaceuticals, is . . . there used to be congressional investigations of price fixing.

CORY: No. It is a dirty word; it's a crime, and the oil industry has engaged in it. And that's what that whole committee was really all about; they were very much involved in a major piece of litigation that still continues, from the work of that committee--the antitrust action that has been going for twelve, fourteen years now, and it will probably go on for another ten. But that's just the nature of how the oil industry is, and what they do, and how much they're willing to spend to perpetuate their crimes.

One of the companies, ARCO [Atlantic Richfield Co.], settled and paid twenty-three, twenty-four million dollars. They settled and it was dropped.

MORRIS: Now, about this consultant that you hired from the oil industry; was your concern for legal knowledge, or about the nature of the oil industry?

CORY: Various phases. Northrop was hired because he had been involved in the oil industry, and knew how it worked, and how you get--if you subpoenaed documents, what to ask for. He knew the people you should go to and find out where the information was that was relevant. It's a real question trying to figure out, if you want to do a real investigation, a subpoena has to be very specific for a court to uphold it. You have to say so that there's no question what it is you want.

And so, he was hired as having that information. He was

philosophically on board, that he was convinced the oil industry was fixing prices, and that it was inappropriate, illegal, and wrong. And something needed to be done about it, and so Northrop's consideration was that he decided he would be willing to do it, realizing that he was probably never going to be able to go back. Highly unlikely he would be able to go back to the industry.

MORRIS: What did the negotiations that you worked out . . . did they continue the revenues coming in for the use of commerce and fisheries, or . . .

CORY: I did not work that out. Jesse Unruh worked that out. I was involved in it at a staff level before I was elected. What they did was to provide Long Beach with protection for its environmental concerns that they had over subsidence.

Long Beach was alleging, the state never admitted, that by removing the oil, it was causing the city of Long Beach to sink. There are those who contend that that in fact occurred, but the state has never acknowledged that that occurred.

MORRIS: There's no objective measurement?

CORY: Well, one of the things and part of the settlement was establishing an objective measurement system, and we spend a certain amount of the oil money monitoring to make sure that Long Beach does not sink into the sea. So we're spending a lot of money doing that. Part of the thing also negotiated was that the recovery would be done by what is known as the water-flood method. Rather than just putting a straw into the void and sucking out what you get, starting on the outside, pushing water in, force the oil to be filling the void, if that was occurring.

There is a contention that that would occur naturally without doing that, but by putting the pressure you can increase the amount of oil recovered. So that method, it's usually much more expensive in the short run, but much more oil would be recovered in the long run, and much more production. So there was that change.

Then there was a cap put of nine million dollars a year on the revenues that would go to Long Beach, and after that the state would get the rest.

MORRIS: What is that percentage-wise? Does Long Beach get the bulk of it?

CORY: Oh, no. I don't know what it's been in the last year, but the year before last, the state of California received \$542 million.

MORRIS: That sounds like a good percentage for the state.

CORY: And Long Beach got the nine. That nine is impressed with the trust, and can only be used for commerce, navigation, and fisheries. That is dwindling down after twenty years of nine, and then drops down.

MORRIS: Weren't there originally some restrictions on what the state's portion of revenue could be used for?

CORY: Those were statutorily set. Originally, in chapter 138 of the 64th session. The first thing that must be satisfied is interest payments on the California Water Project, and those were pledged as part of the bond at \$1.6 billion, I think it was, bond issue, and water project. And so there is a certain amount of money that comes off the top to cover those recurring bond payments.

After that, the bulk of the money is poured into what is known as the COFHE [Consortium on Financing Higher Education] fund. With the skyrocketing of oil prices after '73, there was more money going in there than the COFHE fund could consume, and they started using it for other purposes. That gave rise to what is known as the bucket theory of government: there is a series of buckets that the money goes to.

MORRIS: Reserve funds, or . . .

CORY: It has not historically been used for reserve funds, but in bad years they end up diverting it after the water project; they then commit it to the general fund, things to relieve pressure in the general fund. So it's been moved around since then, but right now it's sort of back to capital outlay projects. The basic concept has historically been to try to use that money, since you're depleting a resource, to create another resource. The education and capital outlay is the original, probably the one continuing major purpose that money has been used for.

MORRIS: Creating a resource of educated Californians?

CORY: Yes. It's been used for other kinds of things, and it's up to the legislature.

[End Tape 2, Side A]

[Begin Tape 2, Side B]

MORRIS: . . . concerned them keeping a watchful eye on the oil companies, and whether they were dealing fairly with the government.

CORY: The oil companies in that contract . . . the weakness of the contract is price mechanism--what price will they pay for the oil. Other than that, the contract has fairly decent control. There is probably a weakness in it, that it has a flat amount in, and I mentioned the amount to the city of Long Beach. Because they are still the trustee in operating it.

I think the state would be better served if they were incentivized for every dollar. They should probably. . .

MORRIS: Say that again?

CORY: Incentivized. They should have an incentive in the bottom line, not just the first take. Rather than putting a cap on it, as soon as they've got enough in there to get their . . . they don't really have a fundamental interest in . . .

MORRIS: In any additional . . .

CORY: Revenue. And that's okay. If you've got a partner, you've got to let your partner participate all the way up the scale. Or you should take it all the way from them. The fact that, had it not been for Long Beach and their aggressive nature with the oil companies, you'd be giving away for peanuts. They deserve something in that, and that's where my head is at, philosophically. There's also the legislative analyst that overlooks that, and the Department of Finance has substantially audited and curtailed--the price mechanism is the real reason--I think a fairly well administered program. You always have problems, and there are different ways you could have done something and there are some difficult issues, but in the final analysis it's a decent program.

MORRIS: Hasn't the issue also come up that the federal government

upon occasions has said that the United States government should have these revenues?

CORY: They litigated that, and dealt with it, and it was finally resolved, and that's where I made mention from the mean high tideline to the three-mile limit--that's . . .

MORRIS: That negotiated out the federal government?

CORY: Yes. And there's not been any arguments over that, where you get into the arguments now, and it's the kind of thing where the environmentalists, I think, they might miss the point of overplaying their hand. Right now, we've got to first understand the nature of oil fields.

The structures which trap the oil underground don't follow the three-mile limit.

MORRIS: That seems reasonable.

CORY: They just go where they go. So, there are a lot of areas, particularly around Point Concepcion and that area where there are known oil deposits. There is a question as to how big they are, but they are probably significant. With the blowout in '73 of Holly, and the fact that there was no new drilling in all that period of time, the feds finally started redrilling.

If they place a platform adjacent to that boundary, they're able to extract oil that's coming from state lands, and the fundamental rule is the law of capture. You get your lease on federal property, and you suck up state oil, it's your oil, and the state doesn't get any. So the concept is you have to be very careful as the Department of Interior of the US government has historically been the handmaiden of the oil industry, and they will let them do damn near anything they want.

They still do bonus bidding rather than net profits bidding; they allow the oil companies to make huge profits, they sell the oil in place so they create a property right which makes it very hard when you have an environmental constraint to deal with. Something you hadn't contemplated, because you have somebody who owns an asset that they paid for in advance. Whereas, if you have an operating contractor, and it's your asset, and you say, 'Gee, the environmental risks are too great for me to continue to allow

you to exploit my resource in my contract to operate, I'm just going to close it down." Your costs are much less. If you sell the oil in place, you have to, in essence, condemn, through the property right of the constitution, and buy back what you sold. Very expensive.

So you've got those kinds of issues. The environmentalists don't think that far ahead; they just don't want any drilling. So what happens with this kind of administration, they will go ahead and let them drill anywhere, do whatever they want, not impose any litigation on them or minimal litigation on them, and all under the ground, well, the nation needs oil. Santa Barbara shouldn't be allowed to keep people from Maine freezing at night. Something has to be done.

If we would develop reasonable environmental constraints, fairly tough ones, but reasonable, I think we would force the federal government to impose more environmental controls, and we would get some of the money from our resource, and then we could allocate that resource from the new revenue for the environmental litigation, whether it's air, water, what have you, in the community, rather than allow the federal government to just take the money and run. And the oil companies; and that's where we've ended up. So you've got those kinds of issues.

MORRIS: When you and Mr. Unruh were working out this plan, and setting it up . . .

CORY: In '64; that was just ground breaking. Jesse did that one.

MORRIS: I assume that you had similar concerns in the . . .

CORY: I learned a lot; I was a staff person that he trusted, and started to be involved and listened. I learned what some of the issues were. I became convinced that the people in Long Beach had a very good understanding.

MORRIS: I'll wind up with this question. Was it to get a handle on what the oil companies were doing and improve the revenues to the state, or was it the environmental concerns?

CORY: The environmental concerns were relatively minimal, other than Long Beach's problem with subsidence. There were a lot of issues involved in that; not all of which were . . . The publisher of the Long Beach newspaper was a close friend of

Jesse Unruh's, fellow named [] Hank Ridder. Hank is a person. . . . If Hank Ridder or if Howard Ahmanson had lived, Jesse Unruh would have probably been governor. They were two very close friends of his. Hank was a very strong-willed, powerful human being. Hank was really upset at what the oil companies were trying to do.

Chevron sat in San Francisco and said, "Well, the mickey-mouse city of Long Beach, we'll just go to the legislature and take the thing back, and we'll get it on a [Assemblyman Joseph C.] Shell-[Senator James E.] Cunningham lease,¹ which will cost us ten cents on the dollar."

Hank appealed to Jesse as speaker, to not let them do that. It took a legislative act to revoke the trust. Pat Brown was in desperate need of money.

MORRIS: For the State of California?

CORY: Didn't want to raise taxes, and so it was very appealing to him, and Chevron did a very good job of going out to the northern rural liberal senators pitching their plan. Ridder convinced Jesse that the city was being treated unfairly, not to the benefit of the state, but to the ultimate benefit of the oil companies. So that's how that was structured and enjoined, so that the motivation was Hank's to protect the city that he lived in and felt strongly about, and felt that they weren't being treated fairly by the oil industry. Because their side of it was that Chevron came down and said, "Look, you either do this or we're going to go to the legislature and take it away from you. This is a deal we're going to give you to shut up."

He said, "You can't do that; this is the government."

MORRIS: A very much knight on a white horse position for Unruh.

CORY: Well, but you know, it also . . . it was his friend, it was a way. . . . Jesse is my friend, I think Jesse was correct, I think he was the knight on the white horse, but you should also examine the concept that it was he and his political

1. A.B. 3402, Cunningham-Shell Tidelands Act of 1955, 1955 Reg. Sess., Cal. Stat., ch. 1724.

allies in Long Beach maximizing Long Beach's interest to the detriment of the state, so there are those who would contend that that's what was going on. And there were two sides to most of this; I'd contend that Jesse was right. And the state ended up benefiting enormously.

MORRIS: Did it mean that the oil companies paid a higher fee to the state for the purpose?

CORY: Yes. That issue never got into the press. You can go back and look at it--the oil industry won the PR battle. That was never fully discussed legislatively. A liberal legislator from Long Beach who had taken on, for then, a rather large contribution from Chevron, had committed to vote to do it, and realized that he was . . . they called him in and said, "This is what you do to your own town." Jesse had to help him raise the money to give back to Chevron. Just so that everybody was. . . . but they did a very nice job of putting it together.

MORRIS: The oil companies.

CORY: Yes. And had it not been for Jesse, it wouldn't have happened.

MORRIS: I see; your secretary says you've got another appointment. You've arrived at the point that I'd like to start next time on your campaign for controller.

[End Tape 2, Side B]

[Session 2, October 22, 1987]

[Begin Tape 3, Side A]

MORRIS: When I saw you last, we'd been talking about your work on the Joint Committee on Public Domain. I wanted to ask you whether or not that had any interest in the environmental quality issues that were going on in the legislature in the early seventies.

CORY: Well, the issues started in the sixties. Environmental issues were not thought of as environmental issues. It was sort of pre- the environmental movement. One of the major elements of the Chapter 138 of '64, which is the major piece of legislation on the Long Beach field, and a lot of the stuff that the joint committee was working on¹--it was an uncodified piece of law, uncodified for a lot of reasons. Basically, not done too often in California. Almost everything is codified.

When something is uncodified, it's either for a one-time issue only, or it is sufficiently complex and sufficiently sensitive that people do not want copies of it generally distributed.

MORRIS: Even though it's the law of the state.

CORY: Yes. And 138 is the latter, a very complex settlement. One of the alleged environmental issues related to subsidence, the fact that Terminal Island and the area around Long Beach were sinking into the sea. There were those who alleged that by extracting the oil, that created the void which then caused the ground to sink.

1. S.B. 60, 1964 1st Ex. Sess., Cal. Stat., ch. 138.

The state of California has never acknowledged that in fact this occurs, but part of Chapter 138 deals rather specifically with a monitoring program of monitoring the subsidence. A lot of money was spent from the proceeds of that oil field, in monitoring the elevations throughout the community, and they coordinate that with a technique of oil recovery called water flood.

For conservation reasons, there are reasons to use water flood: you are able to extract more oil. You are starting to inject water into the structure, and move water towards the center, and it picks up the oil. It's more expensive, but as a result, you leave water behind where the oil was removed, and there is not a void, if that theory does in fact work.

It is unclear whether it does or does not work. But it is clear by using the water flood method, you can adjust the level, because you can add fluid to the void and raise the land like a cork.

MORRIS: And you're replacing the oil you took out . . .

CORY: With water. Sea water. So, a great deal of that was that which today would be considered an environmental concern, but in fact it was never given that appellation.

MORRIS: I'm interested that you say that environmental concerns were not thought of as environmental concerns in the sixties.

CORY: No. In '64, there were no environmentalists as a pressure group, advocating that. It was the fact that the poor people who lived in the area cared, the non-oil interests extracted that as part of the settlement, and it was a substantial financial settlement, and has been. It's millions of dollars each year for the environment of the community. If it was in fact an environmental concern, you would find nothing written about it, because it wasn't an issue, and nobody cared. Long Beach cared about it, and nobody else did.

MORRIS: Were you part of the group in the legislature that later on, about '69 or '70, said it was time for the legislature to address the environment?

CORY: Well, I was always supported rather strongly by environmental groups. In the legislature, I guess I had somewhere in the 90 percent pro-environment [rating] for the various groups that did score cards. I was the co-author of the Coastal

Commission statutes that we tried to enact, and then ended up being an initiative of [Assemblyman] Alan Sieroty.¹

Alan Sieroty in his background . . . he was known as one of the leaders in the environmental movement of the late sixties, early seventies. Alan's consciousness was raised because he was on the staff of Glenn Anderson, who as lieutenant governor served on the Lands Commission when Chapter 138 was being processed. So he was aware, and I never had the discussion with Alan, but it might be interesting, his concerns in the lieutenant governor's office during that period of time were making sure that those concerns were met. I don't remember using the term "environmental." So I was involved in those things. I did not sit on the Natural Resources committee, so I was not that directly involved in a lot of that. Involved and supportive of those kinds of issues, with [Assemblyman Charles] Charlie Warren, Alan Sieroty . . .

MORRIS: [Senator] Peter Behr? Was he particularly part of that?

CORY: Peter was involved. [Assemblyman Edwin L.] Ed Z'berg was probably the first real leader of the environmentalists in the legislators in Sacramento. Peter Behr was involved because it was the first evidence of crossing partisan lines. Environmental issues had been a Democratic issue. Peter Behr, and then Warren, if I remember correctly.

MORRIS: Well, and when Bob Monagan was speaker, he mentioned that it all of a sudden became essential that the legislature move into the area of environment.

CORY: Because Warren and Behr made it necessary--the Republicans--because they were individually concerned. That had, I think, a lot to do with the conservative-liberal split, the moderate split, in the Republican party. Monagan's base . . . he discovered that single votes. . . . Bob Monagan won the speakership within the Republican party by a very narrow margin.

MORRIS: Because there was no one particular strong candidate?

1. Proposition 20 (November 1972).

CORY: No, there were two strong candidates, but there was a real coalition between those people who had been historically referred to as moderate Republicans, conservative Republicans. You had the Joe Shell, [Assemblyman Charles J.] Charlie Conrad conservative wing of the Republican party.

And then you had the people who felt that the John Birch Society did not represent mainstream California, and that was a real tension.

MORRIS: I know there had been tensions in the Republican party, but they were within . . .

CORY: Within the legislature, too. Joe Shell had been the minority leader, Charlie Conrad was a minority leader. And it was where they made the gains that there was some question whether the Republicans could hold, even though they had a majority, whether they could organize the house.

MORRIS: Because the more conservative Republicans wouldn't . . .

CORY: Wouldn't vote for it. But the young Turks, the moderates, seized the power from the conservatives at that point in time. It was not only a partisan change, but it was a philosophical shift. Just as it was a philosophical shift, subsequently, [when] [Assemblyman] Paul Priolo left. He was more the Bob Monagan-[Assemblyman William T.] Bill Bagley-Hugh Fluornoy moderate wing of the Republican Party. And Priolo and [Assemblyman] Bruce Nestande both gave way to the Prop. 13 babies.

MORRIS: You said Prop. 13 babies; do you mean legislators who were elected in the wake of Prop. 13?

CORY: Right. And that's how they're normally referred to, that crop of legislators: Prop. 13 babies.

MORRIS: Because they campaigned for Prop. 13?

CORY: Yes; that was their only issue. They were up here as Jarvis-[Paul] Gann people, and they represented the conservative wing of the Republican party. And that meant there was a lot of tension, and Priolo understood it, and just said to hell with it. It wasn't worth the aggravation.

MORRIS: And left.

CORY: Yes.

MORRIS: Did not seek reelection.

CORY: Nestande ran for board of supervisors in Orange County.

Priolo may have run for statewide office: United States Senator, or something. I think it's the senate that he ran for. He's now a legislative advocate up here. But a lot of that, I think, at least from my observation, if you weren't hard core right wing, you were always being put to the litmus test.

MORRIS: That early?

CORY: Yes. That has been going on since I arrived in '61. The moderates took power in the Republican party during the Monagan years. But the conservatives had control prior to that. It was the Conrad-Shell era. Then, the moderates remained in power until the . . . there's still some of that going on, with the . . . [Assemblyman Patrick J.] Nolan represents the conservative wing.

MORRIS: Pat Nolan. That's going back a ways.

CORY: Goes back to the [Senator William] Bill Knowland-[Governor Goodwin] Knight switch. The [Governor] Hiram Johnson-Goodwin Knight concept was not acceptable with Republicans.

MORRIS: To everybody in the Republican party?

CORY: Well, there was a group within the Republican party, I'm not totally knowledgeable on that, but I know in talking to legislators since '61, there are those factions and there are those pressures.

MORRIS: Are there similar litmus tests within the Democratic party?

CORY: Yes. You find that in terms of . . . magnified mostly in presidential politics. The leadership here in California in terms of the legislative wing of the party, has never really shifted on those issues. It does not seem to shift on that, but in presidential politics, it does play a major part.

MORRIS: As to your allegiance to one presidential candidate or another?

CORY: No; who wins the presidential nomination is a function of the accumulation of litmus tests. Primaries tend to be those kinds of litmus tests. Legislative politics within the California assembly and senate have not been those kinds of strict, conservative-liberal litmus tests. Willie Brown's coalition against [Assemblyman Howard [L.] Berman is clearly not that. When I ran against Bob Moretti, it was not that

kind of a thing within the caucus.

I have to go back. With Jesse, the coalition was a broad-based coalition, his speakership. There were feuds that really didn't translate into the legislative arena of anti-Unruh. The CDC [California Democratic Council]-Jesse Unruh, Jesse Unruh starting an organization called. . . . DVC [Democratic Volunteers Committee] were the initials, as opposed to CDC.

MORRIS: That would be hard for the average voter to keep straight.

CORY: And there were just two different volunteer groups. Back in '63, I guess that was going on. But it didn't wind its way up here because the CDC had very few CDC-elected candidates. Those that were became co-opted by Jesse.

MORRIS: In the legislature.

CORY: In the legislature. There were people who were endorsed, but they were the long-time incumbents who were really not hardcore CDC-ites. You had maybe four or five strong CDC people. And that sort of went on until about '67; it was about the end of it, because I remember everybody was shocked that I got the CDC endorsement in the '66 election. Part of the statewide CDC organization was contesting my endorsement by CDC locally, because I was closely associated with Jesse Unruh. And that feud was still . . . there were elements but the endorsement was validated by the state organization.

MORRIS: Did you see the local CDC endorsement as important to your own candidacy?

CORY: I saw it as important not to have a divided Democratic party in the general election.

MORRIS: In Orange County?

CORY: Because it was a difficult district for the Democrats to win. If we could win it at all. And so, for that reason, I went to the CDC endorsement convention not really seeking-- technically seeking the endorsement, but not expecting to get it, but trying to make sure that people knew I didn't have two heads and spit fire and hate them.

MORRIS: That you were willing to turn up at their convention.

CORY: Yes. And talk to them. And I just felt like I would win the primary, but I wanted to build bridges. For a whole lot of

other circumstances, it was the kind of thing where the night before, I realized that I had to have somebody nominate me. So I called a friend of mine to nominate me, and we found somebody else to second it at the convention, rather than really having it laid on, and organizing it. That's how loose it was. And I ended up being endorsed with two-thirds of the convention on the first ballot.

MORRIS: Was the other candidate or other candidates in the election equally casual about it?

CORY: I guess they felt that they owned the CDC, that they had worked hard in the club within the county, and that they had it locked and they didn't have to do anything. So I guess they did not take it all that seriously. There were some other internal factors within the CDC, but on one of the big issues, the question that will always be asked of any candidate. "Will you abide by the endorsement, and if you don't get the endorsement, will you withdraw?" That was the litmus test of the CDC; if you were a true CDC, you would agree to that.

I did not agree to that, because I was going to run no matter what. But I felt I was the best candidate. I had the best chance of winning in general, but that if they endorsed someone else, or if they endorsed me and someone else won, beat me in the primary and I was wrong in my assessment, I would support the Democrat. I didn't believe that any of the people that I might end up supporting were evil people.

MORRIS: They were not evil people?

CORY: They were not, and that was as far as I could go. But I would not not run because I didn't get two-thirds of this particular group of the Democratic party to say I was the candidate.

Normally speaking, that would preclude you from being able to get the endorsement. I ended up getting the endorsement; I was very surprised. I was shocked.

MORRIS: Did the endorsement then turn out to be helpful in getting elected in what was normally a Republican district?

CORY: Well, generally speaking, it lessened the divisiveness within the party, although it ended up there were still divisive

elements. My major contender¹ ended up endorsing the Republican.

MORRIS: That's amazing.

CORY: So it was not without divisiveness, and I would guess a lot of it was frustration that hurt. The fellow, who had run for Congress and lost, moved into the district to be ready to run, this person was very much wanting to seek office. He put a lot of ego into it, and lost. He was upset, and probably financially hurt.

MORRIS: Painful, yes.

CORY: He probably put a lot of his own money into it. He ended up taking a big contract to help [] Workman do a lot of things for the Republican candidate. How that played in the ultimate election, I don't know. My opponent in '66 should have beaten me.² If I had been running his campaign, I could have beaten me in that year.

MORRIS: Really. Why was that?

CORY: Pat Brown lost my district 3 to 1. It was a disaster. Three to one. You could not find anybody who would admit they were going to vote for Pat Brown. Only 25 percent of the district did. But they wouldn't tell you they did. It was just really bad. It was as tough . . . I've never seen the mood of the electorate so against the Democratic party and against the Democratic candidate.

MORRIS: Even in recent years?

CORY: Oh, yes. People didn't like [U.S. Senator] Walter Mondale. They didn't hate him. They just thought he was a nebbish and inept and incompetent, and the same with [President James E.] Jimmy Carter when he ran for re-election. They didn't really hate Jimmy Carter. People just . . . Pat Brown was one of the most charming people you could ever meet.

MORRIS: That's the general reputation.

CORY: I mean, he was. But in that election, it was an aggressive

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1. Paul Carpenter opposed Cory in the Democratic primary.
 2. Stewart S. Case was the Republican candidate in November

1966.

hatred.

MORRIS: Because of anything that he'd done as governor, or because of the way the campaign went?

CORY: Yes.

MORRIS: Both, or either?

CORY: Well, with the Republicans setting up very well. . . . Pat was probably the last of the personal politicians, as opposed to the media politicians. He really didn't understand mass media. Pat's charm was personal. That also made him . . . I'm very fond of Pat Brown. You'd have to rate Pat Brown and Hiram Johnson the two best governors this state has had in terms of impact.

You can not say enough about his candidacy, so that these comments should be taken in that context, that I would not want somebody to take out the negative side of Pat. That's what bothered me about it, because Pat just did so much for the state, and was just tremendous in that regard. Pat Brown, because he was so personal and individual, he had to have a longing to please people, individuals. When you'd come into his office, he would try to make them believe, and when you were with him, he was full of it. But he would find himself in conflicts, where Doug [] would come in, and then Sam [] would come in two days later, and they would be asking for mutually exclusive commitments.

Pat would find himself on both sides. In a non-mass media, you can deal with that in isolated pockets and survive. In a mass media, it comes out as wishy-washy, because as the media became more focused and more efficient at the business, it presented that as being wishy-washy. Pat never really understood that was happening in this regard. It was something that was a thing of conscience, a thing that Pat felt very strongly about: the Caryl Chessman issue and the death penalty.

Pat never really, I don't think, understood. I don't think he understands to this day. I think he knows the issue hurt him, but I don't think he understands why it hurt him: that the concept of being totally opposed to the death penalty philosophically . . . as a Catholic, taking a life was unacceptable, and there are a lot of things . . . but,

had he commuted the sentence, he would be better off, in my judgment, politically, than staying the sentence and asking the legislature to change the law. Because to the public--as this came through the mass media--it appeared that he was against the death penalty and yet that he wanted the legislature and everybody else to take the view that he wanted the death penalty still. So Pat then appeared to be vacillating.

MORRIS: Had Unruh suggested that Chessman's sentence be commuted?

CORY: I doubt it. I was in college, so I wasn't privy to that. But in retrospect, trying to analyze that thing, it was just issue after issue that Pat would appear to be on different sides of, and it was Pat's personality that was really coming through. But it was the Republicans who would always couch it in terms of an attack upon him, and they would keep repeating it: wishy-washy; that's not what people wanted to read.

Pat's facial features . . . and he always looks heavier and more rotund in fact than he really was. He did not have an angular, Alexander Haig look to him, if you will. And that made him look soft. And so the Republican party did a very good job of carving on him as an institution. He led into it.

I don't know how we got off on that. I guess it was the '66 election, how bad it was. By that time there was a question of taxes, the deficit of the state of California, the general attrition for the third term, Pat saying that he wouldn't seek a third term and then seeking it--all of those kinds of things just sort of built up, where the people in Orange County were just really upon his case something fierce.

I can recall people in Pat's campaign wanting a tabloid newspaper to be distributed featuring local candidates, and Pat Brown. And they approached me, and I had the only seat that it was possible that we could win . . .

MORRIS: That was a new seat; hadn't there been reapportionment?

CORY: Yes, there had been a reapportionment. And we had a lot of candidates; [Joseph E.] Joe Ribal was running, Ribal in the Huntington Beach area, and I was running in the Westminster

area. We had another candidate over in the eastern part of the county. Joe had a real outside chance; if it had been a good year, he could have won. [Assemblyman] Dennis Mangers had a good year after the Nixon debacle.

But they had this meeting, and they tried to say we would like each of you to put up a thousand dollars, and we will jointly do these things. I said, "I'll put up a thousand dollars," or five hundred dollars or I don't know. And everybody else had less money. Their campaigns were strapped for money, and they were hemming and hawing. They got through that, and then John Donnough, the guy who was running the campaign in that area . . .

MORRIS: He was running all the Democrats . . . ?

CORY: No, the Pat Brown campaign. He was a nice guy. I liked the guy. He'd been pitching. I can't remember what restaurant we had the meeting in and [he] said, "Now how you're going to distribute these things," and cutting costs and all that.

I said, "John, look. I told you I'd give you the money. As far as I'm concerned, don't print any of it. Because I'm not going to put out the tab."

MORRIS: You told him that?

CORY: Yes. He said, "What are you doing? What do you mean? You're too young?" I said, "Look, John. I like Pat, I'm for Pat, but my first responsibility is to the people who gave me the money to get elected and to me. I want to be elected, and that doesn't help me at all. I'm not going to spend my energy and time on it. I'll help Pat get the money; if you've got volunteers who want to put it out, I'm not going to repudiate it, I'm not going to run away from Pat Brown. I'm supporting Pat Brown, but I'm not going to take any more than the thousand dollars, and invest in something that I know is costing me votes. And that's all I can do for you."

And he got very irate, because then the other people started talking about their real concerns. I said, "You know, John--I really wanted to push this hard--I was willing to put up the money. I'm willing to tell you that on the way to the parking lot, don't bother to send me anything, because I'm not going to distribute it. We use paid walkers, and have a specific format and specific way we wanted Ken Cory to

be presented, and we presented him that way. That's what I'm going to have to do to be able to win, and I'm not toting . . . "

MORRIS: Pat Brown campaign material.

[End Tape 3, Side A]

[Begin Tape 3, Side B]

CORY: . . . worse than I thought it would be. I think Pat got 23, 24 percent of the vote in the district. That was the district that. . . it had more Democrats than Republicans in it.

MORRIS: Fascinating. Later on, you had some thoughts of the speakership yourself.

CORY: Yes.

MORRIS: What did the landscape look like?

CORY: Well, after we lost the majority in the '68 election, in the '70 election Jesse ran for governor, and we gained the majority back, which was a surprise to everyone.

MORRIS: The Democrats as well as the Republicans?

CORY: Yes. We were surprised--stunned. Nobody really put together the speakership operation, so that between November and January, there was a contest for the speakership that was contained within the Democratic caucus. I ran, and Moretti was running. Moretti was the obvious media choice; everybody assumed that Bob had it wrapped up.

In fact, it came down to one vote; it was [Assemblyman David C.] Dave Pierson, who had just been elected in Jesse's old assembly district, the 65th Assembly District. And I could not convince Dave Pierson to vote for me. Had I been able to convince Dave to vote for me, I would have had the majority of the Democratic caucus.

MORRIS: It was that close.

CORY: Yes. A lot of people were unaware of that because the vote was never taken. The Democrats preferred that it remain within the caucus and that we not campaign to Republicans and allow the Republicans to decide who the speaker was.

I gave that commitment to Bob and his supporters at the

time, that I wouldn't do that. But also, a lot of the people were unwilling. They said, "Look, you've got the vote," and I said, "Well, I don't ask you to vote unless I've got it. But if I've got a majority of the caucus, we'll all get together in the room. Make sure we're all there."

I had a fairly good shot at Pierson, because a good friend of mine had run his campaign. Dave finally--I met with him two or three times, finally he just felt that he had to go with Bob Moretti. Bob had helped him raise a lot of money, felt that that's what he should do.

Okay. So then I called my guys, and said, "Fine. Let's make it unanimous for Moretti." But it was literally down to that vote.

MORRIS: What about different ideas that you had as to how things ought to go in the legislature, as opposed to how Moretti's approach was?

CORY: I mean, those kinds of differences are . . . the media would always want to couch those in terms of philosophical differences, but that basically meant a personal style.

The issue is more of personal ambition. In fact, if I had been speaker, having been from Orange County, there might have been a less obvious direction from the speaker's office as to things that were going on, the net effect on substantive issues, complexities, et cetera.

MORRIS: Your feeling was that Moretti as speaker was fairly obviously controlling things?

CORY: I think that reputation, that would not have been in my self-interest as a Democrat from Orange County. But it would serve my purpose for reelection, better to have had more people with more visibility in power positions, because those things that were not particularly popular in my district that should have been done for the good of the state . . .

MORRIS: You might need somebody else to be out front?

CORY: Yes. And Bob had a district where those considerations weren't present. You're arguing such minor shades of gray, it's no great difference. Between Bob and I philosophically, there was not a great deal of difference in the abortion issue. And for me, that was a very close call. Bob felt rather strongly about it, being a [University of Notre Dame]

Notre Dame alum.

MORRIS: Because of the way the legislation was written, or because of the issue itself?

CORY: The issue itself. Bob and I were very similar, and the differences that I could think of . . . I can't say the world in California would have been different because I actually had won.

MORRIS: But nonetheless, the process is interesting, in that one person or another wins by such a close call.

CORY: Yes, but it is a close call because there wasn't much of a difference between us. [Laughter]

MORRIS: Well, then four years later, Moretti went on to run for governor. If the vote had run the other way and you had been the speaker, would you then have followed up with trying for the governorship?

CORY: Probably. I probably would have come to a different conclusion, because I think I could have been objective enough to conclude that there was no way that you could raise enough money to defeat Jerry Brown in the primary. Jerry Brown was invincible.

MORRIS: Coming from the secretary of state's office?

CORY: Coming from . . .

MORRIS: From the Los Angeles County Community College board?

CORY: He could have come from the novitiate. He was Pat Brown's kid. That's all that mattered.

MORRIS: The name recognition, or that his father was out there?

CORY: Yes. It was name recognition, and his father had a lot of chits that he could raise a mass of money, which he did for his son.

MORRIS: People would come through, and they'd do Pat's bidding for his son, even though they had let him down?

CORY: If you really know Pat Brown, and Pat leans on you, and you're a judge, and you're a judge because Pat made you a judge, or you own the Hotel del Coronado and you've got a bridge to that peninsula from Pat Brown, and he calls upon you and says, "Hey, I need some help," how do you say no to him? You don't, if you're a decent human being.

MORRIS: It's also kind of apologizing for not having worked hard enough for Pat in '62?

CORY: Not really, I don't think. It's just that Pat is a very personable, charming human being. He's a nice man. And so you had that bloc, and the cost of raising a statewide campaign is very difficult. A speaker really can't raise money, he can't use his . . . there are real limitations on using the speaker's dollars for a gubernatorial race.

MORRIS: Really?

CORY: Yes, because you raise that money because the legislators allow you to raise it. If you're going to use that money to run for governor, and it's not going to be available to use for your assembly race, you're . . . as soon as you become a candidate for another office as speaker, your ability to raise money is cut in half to 30 percent. The media doesn't deal with that issue very well. And so speaker dollars are not available. All of the guys running . . . the people who have legislative interests have to contribute to the legislative races for their own self-interest reasons. They're not going to contribute to the Bob Moretti for Governor campaign.

So Bob, I think, misassessed that, and misassessed just the inordinate name recognition, that he would have to raise probably three times as much money as Jerry was going to raise to be equal. And he just couldn't do it. And I think I would have . . . I believe that at the time, I think I'd have believed the same thing.

In '82, I came to the same conclusion, that running against Tom Bradley, with the same kind of name recognition problem, was just not doable. It wasn't a realistic tack to take. And I had somewhat of an ongoing involvement in that one. Even more, that was a tougher decision, because I had some serious questions whether Tom could win the general. I felt in '74 whoever the Democratic candidate was would win the election. Whoever the nominee was could not lose that election.

MORRIS: Because of?

CORY: Circumstances, the turmoil. First Watergate, Nixon. It was whoever got the nomination.

MORRIS: Was there the same kind of buildup of negative feeling about Reagan after his two terms that there had been about Pat

Brown?

CORY: There was a substantial anti-Reagan feeling, but it was not aggressive. People were clearly in a mood for change, they were really. . . . the Republican party was in serious trouble because of Nixon. Too many people who had defended Nixon far too long: party faithful. The people had walked away from the Republican party because of that. But there was not the strong personal animosity. With Pat, it was just terrible. It was really puzzling, if you put it in contrast with what is such an affable human being.

MORRIS: That was particularly striking when you relate that to eight years later, and his success in building up support for his son.

CORY: That's money.

MORRIS: I see. There's a difference between money and votes?

CORY: Oh, yes. Right. Two different worlds. Money, if used effectively, can result in votes, but you can have lots of popular support and no money.

MORRIS: And you don't get elected.

CORY: Well, it depends. Somebody else has money and uses it effectively, you probably won't. Somebody else has money and uses it ineffectively, you can.

MORRIS: Then you've got a chance.

CORY: Right.

MORRIS: What made you think about running for another statewide office, and settling on controller?

CORY: In '74?

MORRIS: Yes.

CORY: I ran because of the interest in Lands Commission activities. I had more or less decided that I was not going to run for anything. There were some other things that I wanted to do. I had sold a business, made, for me, a lot of money, and I just wanted to go do some other things. Some close friends of mine argued that I should not do that, and wanted me to run for Congress. The Democratic congressman was not running. I really didn't want to go to Washington; I didn't want to be a congressman badly enough.

The question of some of the things I discovered in terms of the oil industry and what was going on, the Joint

Committee on Public Domain, did interest me. People said, you know, "You really should run for something, and we'll back you." I declined, and they asked me to meet with them one more time, and they made some very strong personal appeals to me as to what I owed to them for their past support.

MORRIS: People in your legislature, or in the party?

CORY: No. There is no Democratic party, there is a group of people. There were people, most of whom were Democrats, some of whom were Republicans, but they were friends of mine, and supporters of mine, who said, "You owe us more than that than to just quit. We want to continue to support you, and we don't care what it costs." We had some very frank discussions about the cost, and I finally said, "Well, the only other office, other than governor, that I think I would be willing to run for would be senator."

It was clear that I wasn't in the league to run for governor, or United States senator, and the only other subject matter that had any appeal or interest to me was the controller's office.

MORRIS: Could you say a little bit more about the business of your supporters saying "You owe it to us for what we've done for you"? That's pretty heavy stuff.

CORY: Well, yes. They said that they'd always supported me, and that they'd invested money, because they thought it was important, and that they believed in me, and that I had an obligation not to just quit.

MORRIS: They'd made you a visible public figure . . .

CORY: Yes. And it was important to them, and things they were interested in, the causes, the shades of that. There were about six or eight of them. Plus, they wanted me to run for controller. This was sort of last minute; I had decided I wasn't running for anything. Although in retrospect, some of that . . . people who worked for you end up having a vested interest in having you continue to run, because they have . . .

MORRIS: Your deputy and administrative assistants?

CORY: Employees, and that sort of thing. And your fund raisers, and people get ego gratification from knowing somebody in

Sacramento, and all that. They just didn't want to give that up. And so, I could see that there was some sense of obligation. There was also something that I thought would be fun to do, if I were controller, and I thought well, you know, I could do that for four years and then I could get out and do whatever I wanted.

That didn't come to pass, and I assumed that four or five years, the major thing I was interested in was trying to resolve the price fixing of oil, which was very clearly going on. I thought that could be litigated within a four to five year period of time. Three years, if you got lucky.

MORRIS: The controller's office has a vantage point from which to initiate that kind of research. But had you had any particular contacts with your predecessor as controller, or any of his people?

CORY: I'd been a friend of Hugh Fluornoy's since '61. Had not been particularly close to [Senator] Alan Cranston, because the various people I worked for have never been particularly close to Alan. I'd always gotten along with Alan relatively well.

But as a matter of fact, in '61 or '62, Hugh tried to get me to go to work for him, when I was on the [Assembly Education Committee] staff. I just thanked him very much, because it was a very gracious offer that he made to me, that they had just created the administrative assistants. Legislators had not had them before that, and the guy I was working for had gone to Congress. So Hugh came to me and said, "Would you be willing to go to work for me?" And I just thought about it, because I was really very fond of Hugh as a legislator at the time, and I'm fond of him now. I like him.

MORRIS: He seems to inspire that in people.

CORY: And I just said, "Hugh, I'm a Democrat. I'm sorry, I like you, it has nothing to do with that, but I just would not be comfortable working for a Republican."

MORRIS: Did he have some of the same concerns you did about the way some of the large corporations did business on related matters?

CORY: Yes. I can recall one time going to Hugh and explaining

what I thought the public good should be.

MORRIS: This is on a public domain issue?

CORY: Yes. And he listened, and he finally said, "Let me do some checking around, and get back to you." And so the day of the meeting, the Lands Commission meeting, I saw Hugh in the hall, turned to him and I said, "Well, what about it?" "Ken, you made a very persuasive argument, makes a lot of sense." He said, "The realities are that regardless of how I vote, you're gonna lose."

MORRIS: This is when he's still in the legislature?

CORY: He was controller. And it was an issue that the courts ended up correcting.

MORRIS: But his vote was only going to be one out of three, with the director of the Department of Finance, and the head of the Board of Equalization?

CORY: No. It was the lieutenant governor and the director of finance. So, even then, he was totally straight with me, right up front, and it was--there was no sense in him voting for a losing cause that was going to go the other way, because he would have paid inordinantly for that, had he voted that way for a losing cause. So I've always gotten along very well with Hugh, and I respect him.

MORRIS: Did you anticipate your supporters and funding were going to become such a controversial issue?

CORY: I'd discussed that with them beforehand, that it would clearly become a major issue. And that they would undergo a great deal of personal scrutiny, and they ought to be prepared to endure it. It was inevitable, if they were going to contribute that much money. It was so preposterous and so foolish.

MORRIS: Why did they contribute--it may sound like an odd question--but why did they contribute that much money?

CORY: They were on an ego trip and they wanted to do it. If you look at it and understand it, it was basically [Richard] Dick O'Neill and [Louis] Lou Cella. The two of them were making a great deal of money. Dick is one of the wealthier people in the state of California.

MORRIS: Is he related to the Fresno cotton-growing O'Neills?

CORY: They are the poor relations. Dick O'Neill is . . . he and

his sister Alice [O'Neill], the family is a meat-packing family, and has been in the meat-packing business for generations. Dick and Alice are longtime members of the Forbes 400, are you familiar with that . . .

MORRIS: Yes.

CORY: . . . Designation? And have been, and they estimate, and I think it's a very conservative estimate, having been in business for fifteen years, and seen his financial statement a number of years ago, when we were in business together, they estimate each of them were worth \$275 million. They don't try to make money.

MORRIS: Just makes itself.

CORY: They spend more time avoiding money. Dick--if he had had people like the people I know that are around [] Sid Bass--Dick could clearly be worth two or three billion. It's inordinate wealth. And so, five, six hundred thousand dollars to Dick O'Neill is irrelevant. It truly is irrelevant. And Dick happens to like politics, and our biggest chore in that campaign was to keep him and Lou from spending money.

MORRIS: Have they backed statewide candidates before?

CORY: No. That was part of it--they had never been taken seriously. Dick really resented . . . you have to understand, the O'Neill family, they still own forty thousand acres of Orange County. They do not have a mortgage on the forty thousand acres.

MORRIS: They inherited it.

CORY: But it's free and clear. That land is worth . . . large portions of it currently you could sell for a million dollars an acre.

MORRIS: Orange County is indeed sort of a landowner's heaven.

CORY: And the O'Neill family owned Camp Pendleton at one time. Dick O'Neill's home that he grew up in as a child is the officer's club at Camp Pendleton. So he grew up going to school at the Mission San Juan Capistrano, in a landed aristocracy. When he got to high school age, they bought a house in Beverly Hills for him to get an urban education.

So he got up there and I would guess not treated very well, because they considered him a hick from Orange County.

He had been living under that kind of pressure from people. But through the years, O'Neill as a contributor . . . people from statewide campaigns would not take Orange County seriously. They would not come to Orange County; they would not help the Democratic party build.

MORRIS: Because it was conservative.

CORY: Orange County was Republican, and all they were interested in was finding rich people in Orange County who would give them money, so they could spend it.

MORRIS: And not have any input in return for the money.

CORY: Yes. And that whole thing, Dick found it the same with many wealthy people; they resent being used just for their money.

MORRIS: That's interesting. I thought that the state Democratic finance committee was set up to find and cultivate and make friends of rich, rich Democrats in whatever county they were in.

CORY: Dick is substantive enough to say, "Well, why do I have to go to Beverly Hills to a meeting? Why can't we get a bunch of rich people together here in Orange County, and have them come down here and talk to us?" So in the '64 campaign (where Dick and I developed a fairly decent relationship) with [U.S. Senator] Pierre Salinger, I was able to raise money by convincing Pierre and [Donald J.] Don Bradley, who was running his campaign in the general election, that we could raise real money, but Pierre was going to have to spend time with people.

For that period of time, we raised a lot of money for Pierre. We raised in one dinner at the Villa Fontana \$93,000. Dick thought that was great, because he could go in Orange County, right in Santa Ana--actually, it was in Orange--on Main Street--and it was Orange County. It was . . .

MORRIS: Where he felt comfortable. He knew something.

CORY: Yes. And grew up there, and that they would give him some recognition. At that time, Pierre was a United States senator, and actually came down and had a dinner with twelve, fourteen people. They kicked in a lot of money.

MORRIS: That's the Ben [Benjamin] Swig school of fundraising.

CORY: Yes. And so that occurred, and that you see . . . you

know, Dick O'Neill puts on the fundraisers in Orange County at the ranch. Most candidates would rather have Dick O'Neill write the check, but Dick wants the action, and doing a barbecue at the ranch. It would be cheaper for Dick to write the check. But there's no point.

MORRIS: How did you get to know him?

CORY: I met him in '64, when he was sort of around. He decided to spend more time in Orange County in '64.

MORRIS: He'd been away for a while?

CORY: Dick had just won some litigation against Crocker Bank. The property was in a trust. Crocker Bank tried to sell the ranch for five million, seven million, one or the other, and Dick thought that was wrong, and litigated it, and won. So he wanted to start spending more time down there, he started to develop Mission Viejo. It was just about to open. He was spending time.

MORRIS: He sounds like he might have been related to or had similar problems with the [University of California Irvine] Irvine campus.

CORY: He resents . . . that's one of his problems: the family is an older landed family than the Irvines. He resents the publicity that Irvine family gets. Jokingly it frequently was referred to as the Irving--there was a thing called the Watson Initiative, I guess it was in '70.¹ Phil Watson

. . .

[End Tape 3, Side B]

[Begin Tape 4, Side A]

CORY: . . . It was referred to as the Irving Company.

MORRIS: In party documents?

CORY: Well, in campaign reports.

MORRIS: Really?

CORY: As opposed to the Irvine company. And so since then, they

1. Proposition 8 (June 1970).

were referred to as the Irving Company. But it is, when you talk to Dick, you get . . . I mean, here was a family that had owned this land long before [James] Jim Irvine, when Jim Irvine was the nouveau riche hustler that came in.

MORRIS: How old is Dick O'Neill? (I don't know that that's relevant.)

CORY: [pause] Late fifties, mid to late fifties.

MORRIS: Because Father Irvine, or Irving, just wasn't making or functioning as a tycoon, like in the twenties and thirties.

CORY: But these people, the O'Neill family, Dick's great-grandfather came out here in the Civil War.

MORRIS: Very interesting.

CORY: The O'Neill meatpackers, which are descendants of the family, have plants in Fresno, San Diego, and they have had their property without a mortgage on it for a long period of time.

MORRIS: You met him first in the Salinger campaign?

CORY: I may have met him in Dick Hanna's campaigns prior to that. I cannot trace my . . .

MORRIS: He'd been interested in politics . . .

CORY: He'd been around. Yes. But he was a hundred dollar contributor, something like that. And Dick likes to help everybody, Democrats. He can get--if he feels comfortable with you--the capacity, to do more. I doubt that he will ever, given the amount of heat that he took for that contribution, will ever do that again.

MORRIS: Did he also take an interest in the campaign, in putting on your strategy meetings?

CORY: Yes. That's what Dick likes, and that's why, I guess, a friendship developed where he wanted to build the Democratic party. In Orange County, during the time that Dick O'Neill was interested in financing, very indirectly, because he never wanted people to know. . . . He's always . . . and that's the thing a lot of people don't understand about all the campaign reform: they think there's something sinister. It's just the same reason people give to charities anonymously. The Democratic party is Dick O'Neill's charity. It's the same psychology. He is bothered by reading about his contributions in the press.

But we worked with him about what ideas would work, what

ideas wouldn't, what kind of people. We started getting people running for nonpartisan offices who were Democrats who we could build into credible Democratic candidates, getting them funded for city council, school board, supervisor, those kinds of things.

MORRIS: That's local, too, city and county.

CORY: Yes. That's because you had to do that, because of the partisan thing, that they had to be nonidentified because of the Republican edge. Then you could create a persona that was acceptable, that you could bring people along with this. The same format that the Republican party, as the minority party statewide, always uses. Nothing magic about that.

MORRIS: Well, the Republicans for a while in there were using a special districts approach, putting a lot of effort into electing Republicans in certain legislative districts.

CORY: But they start. . . . they recognize they are a minority party.

MORRIS: You still say they are a minority party? You don't . . .

CORY: Sure.

MORRIS: . . . think the demographics and the registrations make it different?

CORY: They still are. I mean, there are still less Republicans than Democrats statewide. Now, it's narrowed, and a lot of that narrowing is just returning to the pre-Watergate phenomenon. But nationwide, there are more Democrats than Republicans. The Democrats are more willing to vote for a Republican than Republicans are willing to vote for Democrats. And that's a whole other issue.

But we use that basic format of getting people elected to places where they could get elected, nonpartisan offices. And that makes them credible, and puts them on the ballot. You've got a choice of four people you've never heard of, one of whom has been on the school board, and the other guy's a janitor, and the other guy's a store clerk. Who are you going to vote for? You're going to vote for the guy who was on the school board.

MORRIS: This is done in your local Democratic elections.

CORY: Yes. That's what we did in Orange County, and starting to do that, just so we have more Democrats, more credible

candidates in the state. We would find we would have people that did not appear to be quality candidates. There's nothing you can really say about them.

MORRIS: Would you go around looking for people, to encourage them to run for the school board, or something like that?

CORY: Yes. We'd sit down, and you'd work with Dick O'Neill, Lou Cella, Fred Harber, and you'd go out and you'd find, going through the list of particular, nice-looking lawyers, insurance agents, try to go through the registration files, finding out which ones were Democrats, then talking to them, finding out what kind of people they really were, and then you'd start encouraging them, and then you'd end up with an obligation of running their campaigns and supporting them.

That grew to the point where Orange County had a Democratic registration at one point, and that was Dick O'Neill. He basically made that happen, and Lou Cella.

MORRIS: And none of the surrounding counties were watching, interested, or . . . ?

CORY: The bottom line was that when you had Dick and Lou there, if you got to the point where you needed some money to make something happen, they'd put it out. You don't have that in other places. They would not put it up . . .

MORRIS: Outside of Orange County.

CORY: No. They would not put it up early. It was not a thing where they would just say, "Here's the money, go do it." But if you were struggling, and you were . . . everybody was working, and something was happening, he had people . . . you could organize and get thirty people to go out and walk door to door to register Democrats. And you had that going, and Dick saw that organized, but you needed . . . "How are we going to get them out next weekend?" "Well, we're going to have to feed them lunch." There would be the money there to do that.

Those are the kinds of things that if you don't have those kinds of supporters that will do that . . . if they do it too early, then everybody becomes an executive, and the money gets frittered away. And Dick understood that. Dick wouldn't play in that game. He'd walk away from that kind of thing. But over a sustained period of time, and the same

kind of support would come where Howard Adler, who was a-- I've known Howard since he was a high school student. He was the Democratic chairman of the central committee for Orange County for a long time.

But you look at Howard, who worked in the Dick Hanna operation, he worked on Dick's staff, but he worked hard for the Democratic party. When he had a business opportunity and he needed help, Dick would give him help. Howard's a wealthy man today, but he'd worked hard; he's earned that money. But Dick was the kind of person who would support that kind of person, because he knew him in politics, and knew him to be a hard working and honest person.

Somebody could come to Dick with a better financial business deal, who just wanted Dick's money, and Dick wouldn't even talk to him. Because Dick would not make a stupid financial investment, but he didn't . . . he and Dick and Howard invested in various deals together. But Dick didn't do that to make money. He did it to help somebody who didn't have money.

MORRIS: Somebody he knew and loved.

CORY: Yes. Frank Barbero, a lawyer down there who was running for office; same kind of relationship. Time and time again, you'd see Dick do those kinds of things. And the other side of it, in terms of why it's an O'Neill charity . . . Dick is . . . I've only had Dick O'Neill talk to me about one political issue, government issue, all the time I've known him, where he was trying to be an advocate of a position.

I can recall, when I was first elected to the legislature, they had passed the constitutional amendment on the Williamson Act¹, and I kept expecting Dick to read the thing, and I was sitting on the Rev and Tax Committee [Assembly Revenue and Taxation Committee.] I finally called Dick, and I told you the story that I called Dick and said, "Gee, Dick, next week the Williamson Act is up for

1. A.B. 2117, 1965 Reg. Sess., Cal. Stat., ch. 1443. Proposition 3 (November 1966).

CORY: committee." And he said, "What's that?"

I said, "Well, that's the thing on the ballot, we have the ballot thing that said that agricultural property could be taxed differently than highest and best use."

"Oh, yeah? What about it?"

"I haven't heard from you or anybody in the company about what your views were on that, and I just thought I'd check in." This was as a legislator, not as controller.

And he said, "Wait a minute, Ken. Is somebody from the company talking to you about that?"

I said, "No, that's just the point. Nobody has contacted me."

He said, "Well, Ken, if anybody from the company calls you, tell them to stick it." [Laughter]

I said, "What do you mean?"

He said, "Look. I paid my taxes last year. I'll pay my taxes next year. If the legislature wants to charge me less taxes, sure. I'd rather pay less taxes than more. But it's irrelevant. It's deducted from the federal, and I frankly could care less. And if anybody from the company is lobbying you to do something, I want to know."

So, I had that conversation with him. Several years later, he arrived in Sacramento unannounced, by himself. [Samuel] Sam Yorty was mayor of Los Angeles, and had imposed a local sales tax on drinks served in bars. It was known as the "tipplers tax" by the press.

Dick was outraged. Dick moved up here and he stayed in my house for about two, three months, during the legislative session. (I had a house here in town.) He lobbied a bill through to preclude . . . make it crystal clear, which the courts ended up saying that . . . somebody went to court saying it was unconstitutional for the city to impose a sales tax. L.A. city put in a statute authorizing it, and Dick was up here trying to kill L.A. city's bill.

That was the only thing that he's ever asked my support on. He was dead right on the issue, philosophically. It was an illegal tax. The court held it was an illegal tax. It's foolishness to have those kinds of local options on taxes as a matter of tax policy, in my judgment. So it was very easy

for me to support it.

MORRIS: Was he a gentleman that liked a bourbon?

CORY: Well, whether he does or not, Dick has owned a lot of bars. He owned at that time, in the mid-Wilshire area of Los Angeles, he owned the Blarney Castle, the Black Forest, the HMS Bounty, and the Bull and Bush.

MORRIS: Sounds very international.

CORY: Those tended to be supper-club, after-work kinds of bars in the insurance area, and the city boundaries jog around, and there are places across the street that were in the county that didn't charge. A guy getting off of work had an option of going into the Bull and Bush and getting a 6 percent tax laid on his drink, or going across the street, and not having a charge.

I remember asking Dick, I said, "Dick, how much money do you make on the restaurants?" Here was a man that, without embarrassing him and disclosing the confidence, his personal income was millions each year. And he avoided income by hiring professionals to keep him from making money. He still had millions coming in each year. And he was making maybe fifty thousand--at that time--maybe fifty thousand dollar profit in each one of those bars.

He said, "You know, if we absorb the tax, that turns me from making a fifty thousand dollar profit to being in the red."

"Okay, but why do you care? Why do you care if you lose twelve thousand [dollars], or make fifty, when you've got ten million coming in? I mean, three months of your life with this? I mean, really!"

He said, "Well, everybody in my family bitches about me owning these bars and restaurants. If they're losing money, it's really hard to justify. But if they're making money, it's okay." That's the only issue Dick O'Neill has ever leaned on me on. It's one that I was outspoken against what LA city was doing beforehand. And it was easy for me to do, and he spent three months up there. But that's O'Neill.

MORRIS: Did he enjoy it?

CORY: Oh, yes. He likes the action, he thought what he was doing was right, and he really identifies with the common man. I

mean, to him it was the concept of the little bar owner and the guy buying a drink, why should he get lugged for that kind of a, you know. But, yes, he enjoyed it.

MORRIS: And he never has found another issue that he took that seriously?

CORY: There were things that he cares about, and money is close to irrelevant to him. It's a burden to him. It's a problem. He does not want to be used for his money. But he is not up here. . . . various things on the Williamson Act, subsequent employees of his who have profit centers who are all trying to trade on it, but Dick's never spoken to me about this, he's never hassled me, and when I've found where legislation has gone through that would be beneficial to them, it's never been O'Neill that did it. And that's not that he put people up to it, it's just that O'Neill would not do that to people.

But other people who don't know Dick that well . . . if an employee came in and asked me for something, they would think that they had to do it for Dick. If they really knew Dick . . .

MORRIS: Is it possible that some of his employees or associates, without consulting with him, had the use of his name for their own purposes?

CORY: Sure. But I mean, it's de minimus. But people wanted to know, what was Dick O'Neill going to get out of it. The contribution. I mean, O'Neill wanted the action, he wanted someone from Orange County to be a statewide officeholder. He wanted to force the Democratic party to be recognized.

MORRIS: Is Dr. Cella equally enlightened and disinterested?

CORY: Yes. He was even a little harsher in his standards. He has always stated to me that he wanted me to always vote against any issue that affected him. He expected me, made it very clear I was up here to vote against him. "If I have something that affects me, and I can't get it passed without your vote, I shouldn't get it passed." He was just cold turkey.

O'Neill would never say that; he would just be offended if somebody, like the Williamson Act, somebody was pushing you from his company without him knowing it. Then he'd be upset. But if you voted against O'Neill, that would bother

him, because you were his friend and you shouldn't vote against him. But he doesn't have anything up here, so he doesn't care.

Cella was aware that he might have issues up here. He made it very clear. He only ever called me on two things; he called on one thing, "Do not vote for them. I'm your contributor; I don't need the grief; you don't need the grief. If it's meritorious, it will pass." And they were, both items, close to noncontroversial. Twelve, fourteen votes against, and the rest for, or just didn't vote.

MORRIS: Yes. Even in the medical business, he was in an area where there was a lot of state legislation and concern in those years. It's hard to avoid the appearance of . . .

CORY: Yes. Actually, he was more aggressive on the other side.

MORRIS: So, did they have some ideas about how to transfer your success in developing visibility and credibility on a statewide basis?

CORY: Not really. I mean, they were interested in--their interests were very provincial. They were basically Orange County.

MORRIS: So, did you have some professional staff?

CORY: Basically, we developed and built our own. Various people who were involved were Arnold Forde and Bill Butcher.

MORRIS: You worked with before?

CORY: Yes. Bill Butcher ran my first campaign. Arnold Forde ran the campaign of the guy that thought he was going to get the CDC endorsement, and didn't.

MORRIS: This is on your controller's campaign, right?

CORY: No; assembly campaign, first assembly campaign.

MORRIS: And Forde and Butcher worked again in '74 . . .

CORY: They were friends; they've always been I guess supporters, but they weren't running the campaign. I've never hired a campaign firm.

MORRIS: Really? Even in '74?

CORY: No. We did it ourselves. Now, you go around to some of the campaign firms that exist. Butcher-Forde were very much involved in my campaign, Berman and D'Agostino. Carl D'Agostino was my chief deputy, and he was working for Ford Aeronotronics--it was an aerospace company--was where he was working when I hired him to work in politics. He is a very

bright, capable person. But I knew the fellow who ran the company called Braun Campaigns, Braun Associates, who run ballot propositions in L.A., one of the major things . . . the guy who runs that, [Douglas] Doug Jeffe, used to be my administrative assistant.

MORRIS: So you worked with everybody in the business, pretty much.

CORY: They basically worked for me, and we ran campaigns and then they'd go off on their own and start their own companies.

MORRIS: This was when you were in the administrative office in the assembly?

CORY: No, they worked for me in the assembly, and as controller. Doug Jeffe was my district office administrative assistant, he was my administrative assistant as caucus chairman. Carl D'Agostino was consultant to the committee, Joint Committee on Public Domain, that I was chairman of. Bill was my first administrative assistant, when I was first elected to the legislature, Bill Butcher. Bill Butcher and I were married to sisters. Bill and I grew up in the same home town, a vast while ago.

MORRIS: Those are really very close ties.

CORY: And so, I don't . . .

MORRIS: What you're saying is that they learned a lot from you, and that over the years you've developed . . .

CORY: No; we've learned a lot together. I was able to raise money, I have contributed to some of the campaign techniques. I used to run campaigns for a living myself. So we developed some things, and we were able to make sure that the money was well spent. Braun Campaigns basically grew out of that Watson initiative campaign.

MORRIS: Well, which side?

CORY: The anti side. The guys at Occidental Insurance did not want that to pass. They came to me and asked me if I would run the campaign. So, I agreed. We negotiated a deal, and that business started out of there.

The Butcher-Forde direct mail thing, the precursor of that was a thing called American Computer Resources, which Bill Butcher started. That commenced out of the '66 campaign. We had some direct mail stuff, some computer programs that we had developed with a guy named [William]

Bill Below, and Bill Butcher and I put together. They went into business and were a dominant force in direct mail political campaigns for two or three years. And had financial difficulties, and Bill went on to other things. But, they developed something, and they went on to do that, and I'm in politics, and we're still doing it.

MORRIS: This was using computer lists to target your mailings and things like that?

CORY: Yes. There were a number of different evolutions of it. Probably the most inventive and creative was telegrams. With a computer, political telegrams were sent. They are sort of a standard issue in California politics now, that window envelope, yellow piece of thing, looks something like a telegram. That was first done in my '66 campaign, an idea of a fellow who works on the desk in the assembly, Brian Kidney.

Going back to that . . . IBM came out with . . . when I was in the chief administrative office of the legislature, they came in trying to peddle . . . they showed me a movie. They didn't have videotapes, and they showed me a movie of a thing called a magnetic tape selectric typewriter, MTST. It was a magnetic tape-driven typewriter. And I looked at that, and I knew that many of the counties were going to IBM [International Business Machines, Inc.] computer . . .

MORRIS: The Votomatic?

CORY: No, not for voting; for the voter registration lists. They had them on computer. And so I thought, well, gee, what we should do is take that, have a bunch of these machines, and send out personalized letters, personally typed. They would be great. So, I started working on that, and I hired a guy to do the program for making that happen.

MORRIS: The sort technique . . .

CORY: The sort, and just taking it out, taking the mailing lists and the text and putting them together. When you start thinking about it, you had to marry the people, first. You'd take a precinct first. You'd have to search by address and marry them. That was a term that was used, in fact, it's probably a misnomer now, but in '66 most people that lived in the same household were married. So you would marry people,

and you could save on postage, the reason that was important. We could save a great deal on postage by doing that.

So, I spent for that campaign a lot of money, eighteen hundred dollars on the program. So I had some guys who were going to buy these MTST [computer mailing program] machines, and showing my incompetence and naivete, after I had spent that, and had people committed to buying these machines. . . . they were very new on the market, law firms could use them, but I said, "Why don't you buy these for your law firm but let me use them for a month before you put them in the law firm, and I can get this work out?"

Then I discovered that the MTST machine used a different kind of tape. It wouldn't work. So then we went to figure out, "Can we do it on a mainframe computer?" Yes. So we started going. Then I discovered that, at that point in time, there were only two computers west of the Mississippi that had a lower-case drive train. I tried to contact them-- One was in Seattle, and the other was I think in Los Angeles--to see if I could buy time on that computer to run these things. I could not; the guys would not sell.

The whole thing looked like it was a disaster, and I was lamenting that over at Fat's at lunch one day to [James D.] Jim Driscoll and Brian Kidney. After lunch and sitting in the office, Brian comes back over and says, "Ken, have you ever considered, instead of doing a letter, why don't you use a telegram?"

"Brian, you're a genius." Grabbed the phone, called Bill Butcher, and I said, "Bill, I think I've got a solution." He said, "That's great; we'll have more impact." So we put out . . .

MORRIS: You can use much more jazzy dialogue, too.

CORY: You can shorten it, boom, crisp. People now don't look for telegrams, but at that point, a telegram had a great impact. People would read a telegram. So we called it a Corygram, to get name ID [identification] right at the beginning. It got to the point where, by the '70 campaign, Western Union [Company] was filing lawsuits against people using "gram" as an infringement. But we skated on it, and the telegram has become a major part of the campaigns.

MORRIS: So that you can use a variation on that, in your campaign for controller?

CORY: Oh, yes. And we developed better programs, better things, and we got to the point where we were hand collating into a data base, hand feeding into a data base, any letter that went into the district office. Any contact . . . we had a whole series of things that we had upgraded over the eight-year period. Stuff that [] Clint Reilly thinks he's inventing now, we were doing. The '72 campaign was probably the most complex.

But some of the stuff we did in the '74 controller's campaign was fairly. . . . we did things like taking the names and addresses of the polling officials, people who man the polls. They're published early. We'd go through and do a separate program. That would drop out, and they would get a separate program thanking them for doing their civic duty, and that would be . . .

MORRIS: They'd get that before the election day?

CORY: Yes. Everybody got everything before the election day, but rather than being the . . .

[End Tape 4, Side A]

[Begin Tape 4, Side B]

CORY: Every one of those people was going to vote.

MORRIS: Sure. The polling official is probably the most guaranteed voter you've got.

CORY: Yes. Absolutely. And so, it's worth the effort. And most people don't say much to them, sort of trod on them. We did those kinds of things.

MORRIS: It sounds like you were doing things with computers and experimenting with them before a lot of people were.

CORY: Yes. That telegram thing cost us a great deal of money. [] Bill Below, who's an engineer, had worked for the legislature, but was computer-literate. Bill liked to do programming, and that's when I first learned. I rented computer time for him to debug the program, and finally discovered I had to get. . . . and I had Bill Butcher go sit

with him, and that's how they became great friends. I mean, they were friends before, but they spent a lot of time together because Below. . . . when the program wouldn't work, rather than checking out on the machine, he would sit there and they charged by the hour, whether you were using it or not, and he would sit there going over this printout, trying to figure out what was wrong. We wasted probably a thousand to eighteen hundred dollars with that program by Below being the absent-minded professor. When it wouldn't work, he'd just sit there and go over the sheet, and let the clock run on the computer.

All he had to do was go over and punch out. They could run other stuff on it, and he could go right back in. And so, I discovered. . . . Bill and I sat down, and I said, "Bill, I can't . . . you're supposed to be programming. The money's going. We can't afford this." When we discovered what it was, so Bill would just go sit with it, and he'd debug.

MORRIS: And have Bill turn off the computer.

CORY: Yes, just tell the operator, "Hey, we don't need it, go ahead and run your other thing, and we'll let you know when we're going to try again." We were doing those kinds of things to the point where. . . . there were a number of computer-assisted programs that we were doing, from polling. . . . the walkers, people would walk each precinct.

MORRIS: You had walkers in the controller's campaign?

CORY: No. The legislative campaign. We would walk the district three times. Those people had code sheets that they would report in for us, what issues bothered people. That would be fed back to the people . . . certain paragraphs would be pulled out and fed back to them. They were concerned about drugs, crossing guards, flooding, trash pickup, whatever it was, that would be . . .

MORRIS: You really got your walkers to make personal contact with every household in their districts? That is really tough.

CORY: Well, we paid them. Each one of my campaigns, every household was called upon in person three times. The first campaign, which was basically three assembly districts In all of the campaigns, it's always these same

districts, but there were really no houses built in it during the time I was there, and very few percentage-wise increase. They cut it into three assembly districts, at the end of it.

My wife and I personally called upon about 80 percent of the district ourselves. So we had that kind of contact, but every door was knocked on three times. Once we had that kind of input, we had a crew that stood inspection, dress code. They looked like Barbie and Ken dolls. They had their hair cut . . .

MORRIS: Where did you recruit them from?

CORY: They were college and high school kids. A few high school, but mostly college kids. They had to be well groomed, well dressed; they were trained for a week before they went out. They had supervisors. They were following up on them. We had the input sheets that we'd call back and check, randomly check, see whether or not we were getting . . . so we really sort of knew the crew from when we paid them each week.

MORRIS: By the hour?

CORY: Yes.

MORRIS: Any of them stay with you, in going through politics?

CORY: Yes. A lot. Many of the high school and college kids worked in the treasurer's office, [] Andy Rose, now an investment banker. Richard Milner, who works for [Assemblyman] Mike Roos now. There's a group of them that have been in and out with the funding: Mary McGuire, she quit. She's a lawyer now, and she quit practicing law and moved up to the gold country. But she was involved in politics. A fellow named [] Bill Wewer worked for me. He wanted to quit college and work full-time. His father was a good friend of my mother's, and a friend of mine, a school administrator. I wouldn't hire him unless he'd finish . . .

MORRIS: Finish his college?

CORY: And he ended up . . .

MORRIS: You didn't finish college; why should he?

CORY: Well, his father felt strongly about it, and I wasn't sure I'd done the right thing. So I wouldn't hire him, so he went to work, and ended up becoming chief of staff person for [Howard] Cannon, the senator from Nevada. We ran, Bill

Wewer, Bill Butcher--I don't think Milner was involved in that one, that was probably before Milner; maybe Milner was involved in that one--D'Agostino, myself, were all involved in Cannon's last successful campaign. He was in deep trouble, everybody said he was going to lose, and through a friend of a friend they called me and said, "Can you run the campaign, and can you save him?" So we went up and ran that one, and we were very careful about that one.

MORRIS: Being out of the state people?

CORY: Yes, being California people. We, in that one, worked for Cannon.

MORRIS: Did you use the same kind of precision . . .

CORY: Sure.

MORRIS: . . . and computer campaign?

CORY: Sure. Yes. Same stuff. People up there said it couldn't be done. We did a coffee program that really reelected him, was the basic program that we did in legislative races.

MORRIS: A coffee program to reelect him? I thought coffee had been sort of supersaturated.

CORY: People don't understand how to do it properly. But a coffee program you've done correctly, which is really a direct mail program, is a devastating program if done correctly. The format is relatively simple. Execution is difficult, because of the great attention to detail. We did it in the assembly campaigns, did it in the Cannon campaign. We would take a large. . . . take an area. . . . I don't remember. We had, I think, 180,000 registered voters in my assembly district.

MORRIS: In Orange County?

CORY: In Orange County. We would have ten coffees. There would be 18,000 people invited to each coffee.

MORRIS: You had to hire a hall.

CORY: No. They were done at my house. They were invited to my home to have coffee; my wife would invite them.

MORRIS: So the invitation would come from your wife.

CORY: Yes. It would be a computer letter, with a very personalized piece, not on a business-type stationery, but on a note type stationery, usually blue.

MORRIS: That appeals to the voters?

CORY: Yes. Soothing color. Colors are important. And so you

invite them. We would never have more than 115 show up.

MORRIS: Even that's a lot in your normal house.

CORY: Yes. But you're inviting 18,000. But you set up chairs in the backyard, and you scale them down, and you can handle . . . you'd get ratios that you could really depend upon. Numbers are fascinating, statistically, if you deal with enough volume, it works.

MORRIS: And those 150 who came would go out and talk to ten more people?

CORY: No. That's irrelevant. What really goes on is, then you take a list of those who show up, and you send them a letter thanking them for coming and talking. And you send those that didn't show up a letter saying, "We're sorry you didn't show up. Lucille [Cory] and I missed you, and we discussed these kinds of issues. And Mrs. Schwartz discussed the flooding at Katella and Hope [streets], and we contacted the county and perhaps they're going to be able to solve that problem."

Devastating. The guilt trip you lay on them for not showing up. They've got information that's somehow relevant to their community, and they get the fundamental belief that somebody gives a shit about them. Which is the one thing that they don't have in this whole system. And that works in Winnemucca, Nevada, as well as Westminster, California.

MORRIS: Fascinating. Yes, I can see where it would. Where did this idea come from?

CORY: Bill Butcher and I basically worked that out from . . . a guy named Ronald Brooks Cameron did a similar program. He was a congressman who lost in '66, in the Reagan landslide. A Democratic congressman from the east part of LA County. He had a similar program where he would invite the people for coffee in the form of a coffee invitation. He didn't do the follow-up. We had done a similar program. We got to talking about the computer letters, and in the general election we started it. And we just kept improving it and improving on what you could do.

MORRIS: Did you have some input from a social psychologist, or group psychologist, or anything like that?

CORY: No. Most of the people who teach that stuff in school don't

understand it. When you go to the classes, and it's . . . if they were really able to understand it, they'd never apply it. So we'd just sit there, and talk to people, and think about it, and what really motivates people is what really bothers them. You don't have to be a mental giant. Got a few ideas, you could check them out, and then you're working. The big problem in execution is making an infinite amount of changes; so that if you try to have all the variables the first time, you kill yourself.

MORRIS: Well, in a situation where two years from now you're going to be dealing with basically the same population, you have to vary the patterns so that people aren't bored.

CORY: Not really; about 30 percent of the people in that district will move each year, so each election there will be a turnover. But, there will be chatty news in there about-- "Hope you can make it this year, even though you didn't get by last year."

MORRIS: Did you make any follow-up effort to those 150 who did, in terms of involving them in more active participation?

CORY: If they wanted to help. We did not seriously pursue that, because the weakness of volunteers is that you have trouble-- they will not stand for dress codes, standing inspection, being told they're not doing it right. And so there are limited ways you can use them--putting out mailers.

The big volunteer effort that we used was potholders: stuffing potholders into envelopes. We got that down to where the coffee invitation tended to be a letter from my wife inviting them with a potholder included there. And that could be done economically. A machine can't stuff the potholders; at least the last time I was doing it, they weren't doing it. So you would use volunteers for that, and you would use volunteers for individual letter lists that they would type and handwrite. And if people wanted to help, we would always have enough to keep them busy, so we had enough activity around the campaign headquarters.

But you couldn't say, "Hey folks, you're too scuzzy-looking to walk through the precinct."

MORRIS: That's a hazard. I hadn't really thought of that. Could you replicate this kind of personal touch on a statewide basis.

in your campaign for the controller's race?

CORY: Sure. Techniques in terms of the computer, in terms of television, are so much more effective. You are not at the end of innovation in terms of television advertising where you are forced to do that. You get more bang out of the buck just doing a better TV ad. TV is universal, and not for the community, but if you're running statewide. The reason you have to use direct mail and those kinds of techniques in some communities. . . . Cannon, it worked. Pat Brown could have used in '66 a coffee program. It might have helped. Probably wouldn't have saved him, because he was too far gone.

Cannon's issue was he had lost touch; he had moved to Washington and wasn't paying attention to the folks at home. That was the issue that was killing him.

MORRIS: He had determined that already?

CORY: We determined that for him. Polling . . .

MORRIS: And reading the newspaper editorials?

CORY: . . . And talking to people in the community, and we used the polls to validate what you probably know. Polls--yeah, you learn something. Things I've learned from polls have been the things I never thought of before. The way most people, most political scientists and people who run campaigns, use polls is worthless. Almost everybody in the business knows that. In tracking whether somebody's gaining or losing, I guess it helps you somewhat, but there's no sense in looking back, it's a horserace. If you go out there and try to find out how your opponent is doing, it's not all that important. If you've got any sensitivity to the art form, you know the guy has done something wrong.

I can recall in an early poll we did, on just generic stuff about people, there was a surprising number of people who marked their ballots within two or three days of receiving the sample ballot. Now, that's important when you reflect upon that, that most of your campaign is going to arrive after that. And that's why the absentee ballots, unless there is a major absentee ballot program in your district, those early voters and the absentee voters tend to be poorer. They're voting without . . .

MORRIS: They've already got their minds made up.

CORY: Yes. They just make it up; they get it, and they don't change. For lesser offices it's particularly important. U.S. Senate, attorney general, governor, lots of TV, lots of things going on out there.

MORRIS: Will wait longer to make their decisions.

CORY: Exactly. Those things can affect . . . lesser things they won't think about. It's an obligation they have to perform. It's confusing, and they want to get it out of the way, so they mark that, and forget about it. So we started gearing two or three pieces of mail based upon when the county registrar sent the sample ballots. It was very effective.

The same thing with absentee ballots. Doing an absentee ballot mailer, soliciting people that are favorable to you, or likely to be favorable to your candidacy, fill out the absentee ballots. That's what the Republican party did in Orange County for years, and we never did. We started doing it, and it really helped. Used to be the standard ratio was seven to one against us on the absentee ballots. That was before we were doing absentee ballot mailers, and we were able to cut that down to where it was . . . and in some years we could even win absentee ballots. So those are the kinds of things you can learn about habits, and you can see how they just came out.

MORRIS: That is, as you say, an unexpected kind of a thing. How about your opponents? The media was saying that in the primary [County Supervisor Robert] Bob Mendelsohn from the San Francisco area was a strong candidate. Did he look like that to you?

CORY: He was never in the race.

MORRIS: Really? It must have been the northern California press.

CORY: Well, the press--but he went out and worked, and wandered around and talked to a lot of newspaper guys. But it's really irrelevant. Bob Mendelsohn, as a county supervisor versus a member of the legislature, loses. People don't care who the controller is. They really don't. And so they're looking for a reason to vote for somebody. That point of sale impact is a major determinant. You can't raise enough money in most circumstances to have an impact.

And so Mendelsohn talked himself into thinking he was in the race. I mean, had I not run, [State Treasurer] Bert Betts would have probably beaten Bob Mendelsohn. And that was on name recognition from ten years, and a better name. Mendelsohn is a difficult name, when you look at it visually.

MORRIS: Longer and more . . .

CORY: It's foreign. There are a lot of Jews who will not . . . because there is a composer [Felix] Mendelsohn, German. German composer who, some of my Jewish friends tell me, had a history of being anti-Semitic. Now, Bob was Jewish, and should have had a solid Jewish vote but in his case, just Mendelsohn is a difficult name. And those are the things that matter.

MORRIS: Well, and Bert Betts, wasn't he . . .

CORY: He was the treasurer of the state of California.

MORRIS: Right. Why would he run for controller?

CORY: He was tired of the private sector and just thought he would run. Ronald Brooks Cameron ran, also. A former congressman who had been defeated, he ran in that primary. But in an early poll that was taken, Betts was the winner. I was on the ballot. Mendelsohn was running third or fourth, I was running second. Betts was running first.

MORRIS: And what did you do about that?

CORY: Nothing. [Laughter] It was just sort of, we listed them alphabetically. Betts--a decent former state treasurer or something. People picked that. We felt we would have enough impact through the media to overcome that. We weren't too worried. And within ten days of advertising, which was well over a modest showing, we were out front and he was . . .

MORRIS: Really. Was your modest showing more than Mr. Betts was doing?

CORY: Betts did nothing. He had no money. When we polled first, it was just the ballot, we knew he was going to be on, nobody had focused on it, and Betts polled very strong. Mendelsohn polled very poorly. And that conformed to . . . Mendelsohn is a tough name, and San Francisco's reputation was not as tainted as it is today. But it still was not all that good.

MORRIS: How about Bill Bagley, as the opposition in the November campaign?

CORY: Irrelevant.

MORRIS: He had a legislative background, too.

CORY: Yes, but he was a Republican. No Republican was going to win.

MORRIS: So, was your November campaign less detailed and less costly than the primary campaign?

CORY: We spent less money because we looked at it and realized if you won the primary, you won the general. We just did enough media to make sure people didn't forget. But actually, I don't know what we made--I can't remember what the buy was in the fall campaign. It was just a very modest buy in the last two weeks.

MORRIS: Were the newspapers helpful or a problem or irrelevant?

CORY: Irrelevant.

MORRIS: Television had really taken over, then. Even though there are more individual commentators?

CORY: Yes. The only relevance today in newspapers is the generalization to the body politic, is that TV assignment to editors to read them. If you ever get the TV assignment to editors not to read them . . .

MORRIS: They read the paper and they'll know to send their reporters, because there's going to be a . . .

CORY: Yes. That will have an impact on them, if they read in the paper that there's something significant. That's why, within politics, that's why certain newspapers have become inordinantly important to politics, not because of their impact upon the readers, but an assignment editor in Los Angeles will read the L.A. Times, the Washington Post, and the New York Times.

MORRIS: That's very depressing for all those earnest journalism students coming out of college.

CORY: You don't want to be a journalism student; you want to read news, on TV. [Laughter]

MORRIS: There seems to be a difference of opinion. How about the Democratic party in the November campaign? Were they something you cared about?

CORY: There is no Democratic party.

MORRIS: That's what you said; but there's . . .

CORY: They never spend any money, they never do anything.

MORRIS: They're out there worrying about party unity and getting out the vote and making money . . .

CORY: No, they don't.

MORRIS: . . . statewide campaign?

CORY: No, they don't. The candidates raise their own money. The bulk of the money they get for "Get Out The Vote" is contributed by candidates. It is run by somebody from one of the major campaigns.

The Democratic party is lucky year in and year out to raise enough money to have a telephone.

MORRIS: Well, that may be increasingly so since the legislature has done such an efficient job of developing its fund raising and campaign operation.

CORY: In my twenty years of elected politics, I've received five hundred dollars from the Democratic party. And that was a loan, which I paid back.

MORRIS: For the legislative race?

CORY: For a legislative race. Every other thing has been a contribution from me or my campaign to the party.

MORRIS: What about the state central committee, and the national-- let's keep it on the state.

CORY: The state level, there's no money raised by the Democratic party for anything. It is a self-consuming kind of thing for the party activists. They don't raise any money. People like Dick O'Neill and other people and office-seekers subsidize the party. It is a money-consumer, not a money-generator.

MORRIS: What about a generator of candidates and interest in political issues?

CORY: Perhaps the latter, if they matter. I'm not sure they do.

MORRIS: So you're saying you don't really need anything from the legislature?

CORY: No. I'm just saying that's the way it is. I'm not making a policy judgment of how it should be, I'm just telling you that in fact, the Democratic party does not raise money. It does not contribute money.

MORRIS: Is your observation that it's also true of the Republican party?

CORY: No. Republicans will contribute to their party, Democrats

will not. Democrats will contribute . . . when [President] Lyndon Johnson is doing well against [U.S. Senator] Barry Goldwater, people will contribute to Lyndon Johnson, not to the Democratic party, but Lyndon Johnson has to sign the letter. Democrats identify with a candidate, not a party.

Republicans hire people to run their government. When you talk to people who are party-oriented, you get the federated broad-bottoms, as they're affectionately known in the trade, the Federated Republican Women. That's something for Republican women. It's more socially acceptable than being engaged in extramarital sex, as best as I can tell.

MORRIS: The alternative in political circles is supposed to be the League of Women Voters.

CORY: They are . . .

MORRIS: It's a socially acceptable activity for women who are Republicans.

CORY: Yes. The Republicans hire . . . their attitude, the guys who make money, who are Republicans and contribute . . . a Donald Brem of the Irvine Company will contribute to the Republican party. But he feels it's an obligation: "Somebody's got to run the government. I want people there who think like I think, and help." Democrats won't do that. They will contribute to a candidate. They will pick and choose. That's the nature of the people who belong to those parties.

MORRIS: Aside from how they feel about what this government should be doing, or whether you should raise taxes, or increase workers' compensation?

CORY: Those were other issues. It is not a logical system. It's an emotional system.

MORRIS: I think you're right. But it's fascinating to try to understand the nature of the . . .

CORY: But most people . . . and that's the trouble with the League of Women Voters. They over-intellectualize. Their effectiveness. . . there's something immoral about accepting the concept that this is an irrational process that somehow works. It deals on an emotional plane, and in fact does work.

I have great respect for the system, and the comments I

make are not to put down the system, but to argue that people, the political scientists and the League of Women Voters, stereotypes, are wanting to make it an intellectual exercise, and it's an emotional exercise. It produces a rational result. I am not smart enough to understand how. But very seldom in two hundred years has this nation made serious mistakes.

[End Tape 4, Side B]

[Session 3, December 10, 1987]

[Begin Tape 5, Side A]

MORRIS: Where I wanted to pick up was with that transition period. What kind of goals you had going into the controller's office, and whether you had any briefings from Hugh Flournoy or his aides on work in progress or issues that he thought needed attention?

CORY: Paul Beck worked for Hugh, I'd known Hugh for quite a while, and so we spoke a couple of times about what was going on. Hugh had just come off of a campaign in which he had lost for governor, and so he really didn't have. . . . he was more interested in going on with his life.

I can't recall any specific details, but it's a relationship where I have known Hugh, worked with him, for thirteen years or something like that, in various capacities. So it wasn't that kind of a formal thing where I had to go in and sit down and talk with him, I sort of I think had a rough idea of what he was doing and where he was and what his views were on things. During the course of the campaign in the year that went along, if there were things, we had a conversation about it.

There was this quirk in the law. The constitution was changed, that they changed the term of office of the legislature, that period of time, so that they no longer coincided with the constitutional officers.

MORRIS: I didn't realize that. Is this part of the full-time legislature?

CORY: No, it was done after that. Currently the legislature is sworn in in December. They used to be sworn in in January with the constitutional officers. It was done, theoretically, to allow the legislature to commence work on

the budget earlier.

The term that I was serving . . . in essence there were two legislators from each district during that month of December. And so the new incoming legislator from my district needed an office space and was going to be functioning as a legislator, and I was going to become controller. So there was some discussion about some office space during the transition, and there was no formal transition mechanism. That was an informal thing that we worked out.

But other than that, I can't recall any substantive thing. I just sort of sat there in December, and the staff had a book with the personnel and organizational charts. I sort of talked to them but tried not to do anything or say anything until I was sworn in, and then went to work in earnest. But I felt it was Hugh Flournoy's term until the last day of his office. I just was grateful to be provided with some office space, and let it go at that.

MORRIS: [Laughter] That's interesting. Was he there up until the official end of his term, or was he already phasing back into being a private citizen?

CORY: He was, I think, in the process of phasing back in. He was there a couple of times. I saw him and said Hi, but I can't remember any great substantive discussions about policy matters. Although I would think he would know where I was on policy matters, and I knew where he was on them.

MORRIS: When you say you knew where each other was, does that mean you were generally in agreement?

CORY: No, not necessarily. I just think we understood each other. When I was on the staff in '62-'63, Hugh asked me to go to work for him. We talked about that. We came to the conclusion that I was a Democrat and would not feel all that comfortable working for Hugh, although I think a great deal of Hugh personally. And that there would just be Republican things that I wouldn't be comfortable doing, that were things he needed to do. Philosophically I think there were very minimal differences between the two of us as individuals. But then there's the party apparatus that fits in on both sides, and so we just decided it wasn't in either of our best

interests after discussing it. But we had that kind of a relationship.

MORRIS: What did you and the Democrats feel should be happening with the controller's office then in '75?

CORY: Well, my concern was primarily the Lands Commission and price of crude oil, which I felt had been fixed by the major oil companies, adversely to the state's interest. I felt that generally speaking, the public interest wasn't as vigorously pursued under the previous administration of the Lands Commission. In terms of . . . they were leasing land at things that were less than its true economic value.

The more public issue was, because Hugh Flournoy and Jerry Brown were running against one another, Jerry Brown had spent a great deal of energy during the campaign attacking Hugh Flournoy for his handling of the escheat law, the unclaimed property. So that was one that had to be dealt with, and had a lot of public acrimony about it between the two candidates as to what the law was, and what should or shouldn't be done.

MORRIS: The public in general, speaking as a member of same, is largely aware of the bank accounts.

CORY: Yes. That's the escheat law. But it . . .

MORRIS: Are there other kinds of . . .

CORY: Yes. It relates to stocks. It relates to dividends. It relates to credit balances, charge accounts. It relates to gift certificates at department stores. It relates to a whole matter of personal property in which someone else is holding for a third party and loses track of them.

MORRIS: Do those automatically come through the controller's office?

CORY: Well, they are required by law to come to the controller, to hold for safekeeping. In fact, it had not been very vigorously enforced by the Flournoy administration nor, for that matter, the administration prior to that, and the administration prior to that.

It started out with the bank accounts, and went on to other areas. It continues to this day, because it's a major task of getting the whole stock and bond industry up to speed of reporting those things. The gift certificates of the chain stores were major amounts. Ownership of stocks: one of

the things that we discovered was that the state of California owned 50 to 60 percent of the largest Chinese language newspaper in the United States. So we had a controlling interest of . . .

MORRIS: The state of California owns . . .

CORY: We did at that time. It was subsequently sold.

MORRIS: Because the ownership had been lost?

CORY: Yes. And they just kept accumulating and accumulating and accumulating, until finally it became a major problem to the corporation. They discovered that they could not function as a valid corporation, because an excess of a majority of the shares were owned by the state of California. With the existing management, we ended up negotiating and doing an auction and selling that stock.

MORRIS: So for a time, did you kind of function as a member of their board of directors?

CORY: We tried to avoid that, because of the liability problem. That was one of the questions, of how we could fulfill our responsibilities but minimize the risk, and what personnel we had. So, one of the first things we needed to do was deal with what the corporation was, and one of the difficulties we immediately ran into was all of the . . . this was a Chinese language newspaper, the entire paper trail of this corporation was done in Chinese. So we had to . . .

MORRIS: Did you have some Chinese speaking people on your staff?

CORY: We had a few, but not really competent translators, so we had to get the books reconstructed in English, so we knew what it was this corporation was, what its assets were and weren't, and then from there proceed to dispose of the assets. Which we did, and ended up selling it, but there were a number of those kinds of things. That was a question of just stock ownership. There were the accumulated dividends for major corporations, there are still issues that will probably be coming out dealing with the federal government, with respect to income tax refunds and . . .

MORRIS: Obligations?

CORY: Well, not the obligations, the refunds. The federal government has a refund owing to somebody, and they lose track of them. Federal law says that that's an escheat item,

and goes to the state of California, or the state of residence. Well, the federal government has never turned those over. At some point, that's going to have to be litigated. They do not want to do that; they've been able to rip off the thing.

Unfortunately, they have a problem that when the statute passed, the question was raised whether the escheat was, in terms of interstate commerce, a realm of the federal government. Congress in its infinite wisdom passed a statute saying, "No, it is state government. If there is any, we give it back to the states." And they made no distinction between escheat property held by the federal government.

So the law, at least in my judgment and the judgment of most lawyers, virtually every lawyer I've talked to, except ones under the employ of the federal government, are of the opinion that it does apply, and they have to give the money up. There's many millions of dollars involved in that.

MORRIS: I was thinking about it the other way around. If there were unclaimed dividends, and presumably those dividends would be income to whoever they eventually turned out to belong to

. . .

CORY: Okay. The liability is, that's the liability of the individual, and if they aren't in receipt of the money, the federal government does not tax them. That's the whole concept of constructive receipt in terms of the law that's applied. So that end of it is not a problem.

If the federal government wishes to lien it or have withholding held, then that's something else that must be done, and that would normally be done by the issuer of the dividend check. And if there was a requirement of dividends or payment, then the payee would withhold the money and would emit it to the federal government. It would be the residual that the state would be entitled to, and would be holding.

MORRIS: Is there a big staff to the controller's office?

CORY: It has been beefed up substantially. It probably is not as well staffed as it should be for the demand. But we got a substantial increase; that was one of the things we had to do was go through the legislature and get a substantial upgrading of the staff, because it was primarily a bureau of

. . . . they maybe had three or four people working on it, and it couldn't be done by three or four people.

By getting adequate staffing, we had huge increases in the amount of money that was being remitted, and set up the mechanism by which people knew what their obligations were, and money has continued to flow into the state. And a substantial portion of that money has been refunded to the rightful owners.

MORRIS: How did you go about finding out the rightful owners?

CORY: Advertising in newspapers. There is a big backlog that had not been done, so that at one point, I don't know whether it has been exceeded, but we set the record for the largest classified ad ever purchased in the world in L.A. County.

There was a great deal of jockeying between the newspapers over who would get the advertising account. Huge amounts of pressure. We ended up using the L.A. Times, and then the L.A. Times got very upset when we moved that account--it was not nearly as large, but still a very significant advertising account--we moved it to the Herald-Examiner. We also did some minority newspaper advertising. The first part of it was just sort of getting it off the ground, trying to use television and radio for publicity.

Because of the size of the advertising budget for the classified ad, we were able to get the L.A. Times to advertise that on a certain date, they were going to be running this list. To promote the newspaper, they were using their own advertising balance and they were able to leverage that. That was part of the decision to go with the L.A. Times, that they were willing to commit.

So we had a fairly good promotion, and the newspapers were sold out very quickly on those days. It was a fascinating concept.

MORRIS: Did I understand you correctly that you worked also to get the banks and the other people holding the unclaimed property to transfer it to the state?

CORY: Yes. One of the things that was going on was the holders of the property had fallen into a practice of taking the money from the accounts. That if there was . . . rather than find any realistic standard of whether or not they knew

whether or not the people were there, they just took an arbitrary standard if there had been no withdrawal or addition to the account--and it varied from bank to bank-- they would arbitrarily start to service charge the account with huge service charges, far in excess of what it cost them, and their rationale was, "Well, we're going to have to give it to the state anyway, so we might as well take it." And there were memos in the files basically to that effect, saying that.

MORRIS: Really? How did you gain access to those?

CORY: Through the litigation. We were in litigation; in fact, the litigation with the Bank of America is still continuing. It's about to be settled, I think. Bank of America litigated and lost, lost all of their appeals, and we're now down to the accounting hassle. B of A has turned over twenty-some-odd million dollars of ill-begotten gains, and I would guess the final settlement will put that somewhere about another fifty, fifty-five million more.

MORRIS: Because of the time, or just the accumulated amounts?

CORY: The accumulated amounts. I mean, it was outrageous behavior. It is unbelievable that a fiduciary institution could allow itself as an industry to behave with such wanton disregard for their depositors. There were memos in the B of A file where they had a program, where they would go out to schools. Under the guise of teaching children thrift, they would sell them little stamps, saving stamps for ten cents apiece. When they got fifty cents or a dollar on a card, they could take them in, and they'd get a passbook and they'd have the money posted to their thing. They would sell these at the school each week.

Well, the internal memos from the accounting department told the people at the bank to, rather than crediting the sales of these amounts, these ten cents and fifty cent amounts that they were collecting from these people as deposits, that it was perfectly all right for them to go ahead and take it in as profit, as income, because none of these people were ever going to show up to claim them. Such a few number would, that not to worry about it. So they were from the very beginning, and in terms of their own internal

records, accounting files, taking that directly to bottom-line profit. I mean, they're stealing dimes from schoolkids.

MORRIS: Were you aware of that when you went into this campaign?

CORY: No. I was aware from another reason, because I had owned stocks in banks, and I had discovered a bank was doing this to me. Grandparents had given my kids, I don't know, I think it was \$2,500. It was for the kids, and so I just opened up a bank account, a savings account, put it in there, and didn't pay any attention to it. But I would pick up each year the bank statements, and pick up the interest, and report it on my income tax form, because my name was on it. It didn't say the Cory Kids, it said Kenneth Cory, but it was their money. It was just easier than doing a formal trust and not wanting any trouble with the IRS [Internal Revenue Service], I would just pick it up.

I noticed one year, when I looked at the statement, the amount in there was less than the \$2,500 we had put in. It was down to only \$2200, or something. So I looked at the statements, and it had a code on it, a legend which was labeled "Activity Charge." And it was a savings account, mind you, it wasn't a checking account, it was a savings account.

So I called the bank, and said, "What is this?" And they said, "Well, it's an activity charge." I said, "Well, if you'll look at the statement, there has been no activity on this account since I put it in."

And the lady said, "Well, then it's an inactivity charge." And I said, "Come on, what do you mean? What is this?" Then she explained the escheat law. I was in the legislature at the time. I said, "Gee, that's really puzzling." So I talked to the head cashier. He was a fellow that I knew, because I owned stock in the bank and was one of the founders of it.

I asked him, I said, "What is this?" He said, "Oh, it's just a mistake. We've got the computers programmed to do that, that it automatically puts these high service charges on there to eat up the balance so we don't have to give it to the state." He was very upfront about it, and I said, "Well, you know, I really think that's a questionable practice."

In that particular case, I was a founder of the bank, participated in hiring the employees, knew the people, had probably four other accounts at the bank that were active, including active loan accounts, which we were discussing. I had guaranteed loans for companies that I was involved with, which we were . . . in fact, one of the companies was in trouble, and they were demanding that I pay off the loan because of my guarantee. We ended up getting the company out of trouble and getting the loan paid off. But I mean, they knew who I was, they knew where I was, and we were in very close communication during this period.

MORRIS: You were doing a lot of business with them.

CORY: Yes. The fact that they had lost track of me was bullshit. They knew who I was, where I was, and how to talk to me, and we were talking all the time. Not on this subject. And that was the nature of the business.

Because of that, I went to the guy who lobbied for the bank industry at the time, and said, "You know, I've made quite a bit of money off of owning bank stock, I don't hate the banking industry, but you're really going to get in trouble with this." (I just can't believe I knew nothing about the escheat law and how it worked.)

I said, "You know, the industry doesn't need this. There are easier ways to make money than this. In the long run, it's going to cost you a lot of grief." They agreed, and they agreed to put it on the agenda of their next meeting of their committee, the industry committee that controlled them.

MORRIS: And this is while you're still in the assembly.

CORY: Yes. And they had their head taken off by the industry. That they were wrong, that this was absolutely right, what they were doing was legal and proper. The guy came back sort of embarrassed, and explained to me what happened.

I said, "Look, I don't care. I'm not going to make a cause out of it. But I just think it's dumb. Someday, sometime, the banks are going to have their heads handed to them for this. I mean, you just can't do that." And he agreed, and I didn't think any more about it. Then Jerry Brown's campaign nailed Hugh Flournoy for it.

MORRIS: That's one question I was going to ask: How did Jerry Brown happen to pick up on this issue?

CORY: I don't know. I have no idea.

MORRIS: Didn't you guys talk at all during your campaign?

CORY: No. It was irrelevant. It really was irrelevant to the campaign as far as I was concerned. It was only relevant for Jerry to have something bad to say about Hugh Flournoy, and I don't even think he needed to do that, frankly. But it was a campaign issue between them. Because it was raised in the public arena, it had to be solved, and in fact when you look at it, the law, it was relatively clear that what the banks were doing was not proper.

The banks' best defense was estoppel; that the controller's office had allowed the banks to get away with it. Therefore they didn't have a right to get the money back. And the courts rightfully said, "Then wait a minute. The controller is a third party. This money really belongs to other people, and the controller's errors can't be used to adversely affect the interests of a third party."

The difficulty is that during that period of time, because of the lack of vigorous enforcement, the banks had methodically looted these accounts and destroyed the records. So there is no record of who should get the money. So you've got that kind of a problem.

MORRIS: So, it sounds like the fact that Jerry was looking for something to campaign against Hugh and the governorship, rebounded to your benefit. It helped you get elected.

CORY: Well, it was a job in the controller's office that had high visibility that had to be dealt with. And it's one that the industry just had a very hard time dealing with. They had gotten away with it for so long, they felt . . . and it's also a reflection, I think, of, if you look at their handling of that case, it is indicative of the banking industry throughout this nation and this state, of being in poor managerial hands. The banking industry, over the last twenty-five or thirty years in this state and this country, has not done well. We do not have a triple A bank left in America. There is not a single world-class bank left in America.

MORRIS: Really. I didn't know they were rated; I know they rate universities.

CORY: Yes, they rate them [bonds]. And it's been that way for fifteen years now. And B of A, which was once a tremendously profitable, fine institution, is staggering. They're starting to rebuild; Wells [Fargo Bank] and Security [Pacific Bank] are starting to rebuild themselves, but they are sadly, by world standards, objective standards, second- and third-class institutions. If you want to do a financing, you need a triple A letter of credit to do a municipal financing, you use a Japanese, New Zealand, an Australian bank. You cannot get one [in the United States]. They are not rated that highly.

So it's all a reflection, sadly, of that poor management that led them into that.

MORRIS: Did you and your people work with the banks during this period?

CORY: Well, we tried to, but they were just impossible. It was really tragic. I would sit there . . . most everybody except B of A ended up realizing they had to settle, and settle on fairly realistic terms.

Wells had the greatest defense. They had notice in their passbook accounts that they were going to do something to these things, these savings accounts.

B of A's position was that the card . . . one of the real questions was whether or not they had . . . their first defense was they had a contractual right to take the money that superseded the law. That's a curious concept; if you have a general statute and people saying, "This is public policy," that you can contractually obviate public policy, which generally speaking the courts don't let you do.

But that aside, when you say, "All right, that's fine. What is your contract?" Well, the contract is the signature card, and the signature card is all that fine print. When you read it, there is a statement that says that you will be bound by the bylaws of the corporation. There is nothing in the bylaws of the corporation of Bank of America that allows them to take this. What they get down to is, from that, you go from the bylaws that they've assigned certain duties to

certain employees, and there's an employee manual that tells them to do this.

But if you were a consumer, and being abundantly careful, you would have absolutely no notice. If you went in and tried to get the employees' manuals, because you wanted to open a savings account, they wouldn't give them to you.

But that was their defense. And they would sit there and try to assert that. That's why the judge got very angry when we sat there after weeks and weeks of trial, and they had no defense other than they took the money.

MORRIS: Where did it go to court? Here in Sacramento?

CORY: Here in Sacramento.

MORRIS: Somebody whom you'd known in the legislature on the bench?

CORY: No. There were a lot of issues that were preliminary rulings of law that were dealt with. I think the guy's name was [] Backus, who heard the case finally, and then it went up on appeal. And basically, if anything, the courts were sufficiently upset with the industry that they broadened to include accounts and procedures beyond what I thought the law really said. But it's a typical case where an industry is so outrageous that people just get fed up with them and don't listen to their reasonable arguments. They get lost.

MORRIS: Did it have any repercussions on banking practices in other states?

CORY: I don't know. Yes, other states, there was . . .

MORRIS: Their habit of nibbling away at . . .

CORY: There is a statewide organization and a nationwide organization of escheat things, and our employees have gone and helped train them. Our lawyers have gone and helped show them how we have litigated it, a fellow named Yeoryios Apallas handled the case. [Thomas] Tom Holland was the guy we brought in from the attorney general's office and put in charge of the thing, and made it a division of the controller's office.

MORRIS: What was his special background that made him useful for the controller's office?

CORY: He was an accountant; had an accounting background and a legal background. Had worked, interfaced with the public in quasi-fraud kinds of areas in the attorney general's office.

I felt that would be helpful, because one of the problems that you have is instituting safeguards within your own shop to make sure, once you start handling all of this stuff, that people don't steal it from you. It's a fascinating thing that goes on, because one of the things you take is safety deposit boxes.

MORRIS: Oh, with grandmother's earrings and . . .

CORY: Yes. So you get all that jewelry, and you've got to have a way of inventorying that in and making sure that the employees you have--since it's lost and there's no known inventory of it--that people aren't stealing it.

MORRIS: It's kind of like the police department problem.

CORY: It's a real problem. So, we had it set up--I don't know whether it's still functioning that way--where the people who were opening the boxes had a TV monitor that was watching them. That was on tape, and there was an inventory from the bank, but the bank's inventories were terribly sloppy.

But then there . . . it's not unusual to find . . . I mean, you didn't find it every day, but in each year you would find substantial amounts of cash in those boxes, and places where you would find fifty and a hundred thousand dollars in cash in a safety deposit box, and dope. Large amounts of dope. The address is a vacant lot, and it's obviously a drug dealer; I mean, you've got cocaine and marijuana and heroin, and a bank, and they just go in and run their business out of there. Well, you've got a real problem at that point, of dealing with those kinds of things . . .

[End Tape 5, Side A]

[Begin Tape 5, Side B]

CORY: . . . and jelly sandwiches.

One of them, a fairly large--quite large box for what was in it, was pubic hair. Pornographic photographs were not uncommon at all. Heirloom jewelry, love letters, paranoid allegations--frequently you would find just the most detailed ramblings of accusing officials of high corruption, paranoid ramblings of people. See, you'd have to go through all that,

and try to figure out what was there and what was not there. Inventory it, and try to locate the people, and if they showed up, return it, and set up a mechanism to dispose of those assets, because you couldn't afford to keep the actual assets forever.

So, after the advertising period, then you would dispose of the assets by auction and convert them to money and keep an accounting record as to how much you received for each lock. So that if the person showed up, you couldn't give them back the lock, but you could give them back the money that you got for it.

MORRIS: Marvelous. Did you bring many people with you from your assembly staff when you came to the controller's office?

CORY: No, there were only two noncivil service positions. I brought Carl D'Agostino and Keith Seegmiller. I got Jesse to take another guy who worked for me in the campaign, Grover McKean, because he didn't have someone, and we just sort of . . . Some of the other people then took civil service positions, some stayed with the legislature. Relatively small group. Started out with the three of us, and then we just sort of went from there.

MORRIS: Were you looking for specific talents and skills, or looking for people who were looking for . . .

CORY: Well, basically what I needed was people who were loyal to me, people that I knew. Knew what they could and couldn't do, so that when I sent them out to do something, I'd know what their plusses and weaknesses were. Because there were literally . . . we started with two, and then when there'd be an opening in the civil service structure that somebody was qualified for, that I knew from the outside, I would bring in somebody. There was a lawyer that I brought in, a fellow named Peter Pelkofer. Fellow named [] Bill Northrop, who'd worked for me on the Joint Committee on Public Domain, went to work as the executive officer of the Lands Commission. Fellow named Walter Harvey came to work shortly thereafter from the legislative staff on handling matters of taxation for me.

MORRIS: I made a note on the outline I sent you that a couple people that I've talked to over the years have said that the

controller, and also the treasurer's job Mr. Unruh was elected to, should be abolished, because they were primarily ceremonial. Is that a question that comes up often, or that gave you and Mr. Unruh any concern?

CORY: No. Any positions . . . whether something is elected or appointed is a policy question that can be debated on each side. The controller's office is not ceremonial. There is very little ceremony to the office; it is much more nuts and bolts. Whether or not those nuts and bolts should be done by an elected official or an appointed official, I leave for others to decide. The framers of the state constitution came to the conclusion they did with the voters concurring. They had the infinite wisdom to elect me three times, so why should I question their judgment? [Laughter]

MORRIS: Having run for the office, yes, I can see that. I just wondered if that was a charge that came up at any point.

CORY: Not really. I mean, I've heard it mentioned; it's usually by people who don't have any real appreciation. When you ask them what the controller's office does, they can never tell you. And then they say, "Well, that's why we should get rid of it." It's a different view of how strong you want the executive.

MORRIS: Is that putting the controller's spot in the executive branch?

CORY: It is part of the executive branch of government, in terms of the tripartite system, that's clearly where it fits. It is an executive function, but it is constitutionally separated from the governor and limits his power. That's what it really is all about--organization. There are other statutory things that are done. Frequently, I was not pleased with some of the statutory duties that I was assigned, but if they give them to you, you try to do the best you can with them.

I can recall going and talking to Alan Sieroty about the [California] Coastal Commission. He wanted me on the Coastal Commission. I finally compromised with him, and got him to put in that initiative--although originally, they picked the initiative up out of the statute--was that it would be a nonvoting position.

MORRIS: He wanted the controller as a member of the Coastal

Commission, or did he want you in personally?

CORY: I'm not sure. I'm not sure how that came about, whether it was the chairman of the Lands Commission, whether he wanted that person, that position, whether it was me personally. I was a co-author of the bill, and I did not want to be a voting member of that Coastal Commission. Land use planning issues, I'd just seen too many of them at the local government level. I didn't want to get involved with them. They take up too much time, there's too much bitterness, too much rancor, and absolutely no pluses. It's like being a divorce court judge.

So I talked to him. I said, "Will you put me on it as a nonvoting member?" That was a compromise. That was the kind of statutory things where I would have things . . . I frankly had no great interest in the PERS [Public Employees' Retirement System] board. I was a member of the STRS [State Teachers' Retirement System] board, and they changed it, and the legislature wanted me on it. I tried to beg off and they said, "No, the place is a mess, somebody has to do something about it."

MORRIS: Does that relate to the controller's function of supervising and okaying expenditures of state funding?

CORY: It is a huge amount of assets, and it is weak in accounting skills, so there is a reason to do that. But, it's . . . having someone I guess theoretically trying to structure it, I would guess that if I had not been the controller, there would not have been that pressure. I think there was a comfort level of legislators with me, and they were convinced that there was something to do with numbers and money that was a mess, and they trusted me so they wanted me to do something about it. There will be those who will disagree with that analysis, but I would guess that was the majority view of the leadership of the two houses.

MORRIS: There is indeed a huge amount of money coming out of those two funds. Why are they weak in accounting skills? They've been a recurring problem over the years.

CORY: It's basically because most state agencies have weak accounting systems. Accounting systems are . . . when times are tough, that's a place you can cut money. And it's

difficult to justify.

MORRIS: An accountant?

CORY: Yes. It's just difficult to justify spending money on accounting. We in state service have not done well by the accounting professions. We don't pay them what we should pay them, compared to what the private sector pays them, and over the years you get adverse selection because of that. You find that strong accounting offices tend to interfere with policy people.

MORRIS: Yes. They tell you you can't do it.

CORY: Yes. You don't have the money, you can't . . .

MORRIS: You've overspent.

CORY: Yes. And so people don't like them for that reason. We'll require them to go ahead and encumber funds, and say you can't do both projects. You can only do one. So they tend to fall out of favor, and all of that adverse thing. In the legislature there's usually accounting kinds of problems. Don't do well on minute, minute-and-a-half spots on the news. So the politicians don't care that much about them. They're there, and they use them for convenience, but they're soon forgotten when they're not needed and they fall into other areas. So it's all of that, and when you get to the retirement systems it's even worse. It's further removed.

A strong accounting system would have been producing facts and figures for the legislature during the fifties and sixties when the state legislature, teachers' association, and the professional educational establishment was increasing retirement benefits without appropriating any money for them. That's why we have a tremendously underfunded state teachers' retirement system. You couldn't get Ronald Reagan to sign appropriations to give education money, which would translate into teachers' salaries, so you tried to buy off and get people to settle for. . . .

The CTA [California Teachers' Association] and AFT [American Federation of Teachers] and the school administrators were all guilty of coming to the legislature and saying, "Well, we can only give this much in new money, but we're going to increase the retirement benefits, so we can hang onto our good people by increasing their retirement

- benefits." You paid for the retirement benefits out of future years, and it was not an appropriation. The governor would sign that bill. So we had these huge increases which meant that in the out years, you had just horrendous . . .
- MORRIS: The bill coming due. Doesn't that relate eventually to the state's financial rating?
- CORY: Yes. So far, it's something that the rating agencies talk about, but it's not determinative as yet. But at some point it's going to cause us trouble.
- MORRIS: Now, was that a function of yours, or a function of Jesse Unruh's--the underfunding of . . .
- CORY: It was a function of neither one. But we got into this discussion about the weak accounting. Had there been strong accounting people in those departments, that would have been much harder to accomplish. They would have been screaming at people, "You can't do that. You can't increase the liability without having any source of revenue for it." And that would have been politically unpopular, and it just wasn't done. People that would rock those boats wouldn't rise to the next appointment. So that's what happens to accounting functions in state government.
- MORRIS: Then, to what extent is there an effective watchdog system?
- CORY: Well, to the extent it works, it's effective. Having the controller on those boards is somewhat helpful. Controllers tend, because of the nature of their office, to have more people around who will ask those kinds of questions, who can read balance sheets and look at long term questions, deal with the cruel accounting questions. But whether it's effective or not? It's hard to say that we have had effective government, when we have a retirement system that is inadequately funded.
- MORRIS: The insurance companies take a different view of that.
- CORY: Yes. There are two different views. It is easier for you to justify the Social Security system as being a tax mechanism, not a retirement system. What this is is a similar kind of thing, in which the state general fund is going to have to pony up the money.
- MORRIS: I'm interested in your suggestion of the controller's office as, to a certain extent, a check on the governor's office.

CORY: Yes, that's clearly what its constitutional purpose is.

MORRIS: Well, I was wondering about it, because Pat Brown in his last term had Hugh Flournoy, who was of the opposite party, as controller.

CORY: No. Alan Cranston was controller. They went out of office together. They were both defeated in '66, and Flournoy went in in '66 when Ronald Reagan came in. So generally speaking, they have been of the same party. It has only been in recent years that there have been exceptions to that.

If you go back to the exceptions, in the post-World War II era [Secretary of State] Frank Jordan was an exception. The attorney general's office has been independent. It has been possible historically for people to get together an independent media base for the office of attorney general. The other constitutional officers, the first exception was Jordan. Jordan in '58 was the only Republican who survived, and he survived very narrowly. He was running against an Hispanic.¹ And if I remember right, I think he was a Harvard graduate. I could be mistaken, but I think he was a Harvard attorney. I'm trying to grasp for his name, but it was an Hispanic name. It was relatively clear when you looked at the election results that that's why he didn't win.

To go on to 1966, attorney general [Thomas] Tom Lynch was the only exception. The secretary of state then was up in the second term for Ronald Reagan, and it was the second term. Few people remember that that was a relatively close election. It was supposed to have been a no-contest, Ronald Reagan was going to win by a great deal, and basically he only won by about four hundred thousand votes, which is a fairly tight election. Jesse Unruh ran for governor, and had no money. Had virtually no media, and Jerry Brown . . . I'm trying to remember who Jerry was running against for

1. Henry P. Lopez was the Democratic candidate for secretary of state in 1958.

secretary of state.¹ Jerry Brown won, but it was basically on the exception, being his father's son. The others were all Republicans. In '74, I don't think there were any exceptions.

MORRIS: That was a fairly . . .

CORY: It was a straight Democratic slate. And then [Assemblyman Mervyn M.] Merv Dymally was defeated by [] Mike Curb [for lieutenant governor], who was able to raise a great deal of money, have a separate independent base. The news media spent a lot of time implying that Merv Dymally was somehow corrupt. A lot of it was stuff that was leaked from the attorney general's office. Ev Younger was a Republican exception, as attorney general. But there were some unique things about the Dymally race, Dymally-Mike Curb race.

MORRIS: All those spots have gotten much more visible. In Frank Jordan's day, most of the constitutional officers were sort of not very visible, and not seen as terribly political.

CORY: Well, that's not really true. That's retrospective. Take the office of controller. In terms of Hugh Flournoy, who ran for governor, who was controller prior to me. The controller prior to Cranston . . . Cranston had run for the United States Senate and lost, and in '64. He lost in '66. He was very political, head of the CDC, one of the major political players in the state.

Prior to that, [Robert C.] Bob Kirkwood was the controller, and Kirkwood was defeated by Cranston in the Democratic landslide of '58. He was an appointee of Knight-- Knight or Warren?

MORRIS: Warren.

CORY: But his predecessor was [Thomas] Tommy Kuchel, who was appointed and was elected to the United States Senate. So there is a substantial amount of political activism. Goodie Knight was a lieutenant governor who became governor. So there was a lot of political activity on those constitutional

1. James Fluornoy was the Republican candidate for secretary of state in 1970.

offices.

MORRIS: When you line it up that way, yes.

CORY: People just don't think of Alan Cranston as controller, and they don't think of Tommy Kuchel as controller.

MORRIS: And I guess everybody thought of Goodwin Knight as hoping to be governor someday anyway.

CORY: Yes. But he was politically active as the light gov. [lieutenant governor] and ended up becoming it when Warren went to the [United States] Supreme Court.

MORRIS: Right. But not because of his own . . .

CORY: Yes. In his own mode, he had a political base, he was actively pursuing it.

MORRIS: I took a look at some of the legislative analyst's reports, to try and get a quick look at some of the things that were going on. There were also county welfare audits that went through the controller's office?

CORY: Medi-Cal audits and county welfare audits.

MORRIS: The county welfare audits were already going on when you got to the office. Was that something that you had worked on in the assembly?

CORY: Well, there were welfare problems: where is the money going, what can be done about it? So that was the thing that we would turn to the controller's office to do the auditing on. While I was in office, they had trouble with Medi-Cal and the costs of Medi-Cal, and the lack of confidence in the administration. The Medi-Cal thing was started under Pat Brown. It had a weak reputation fiscally under Ronald Reagan and didn't improve much under Jerry Brown.

The legislators just said, "We want you to do it. We don't trust the administration, we don't think the numbers are real. We think they're balancing the budget with them and playing games with us. We think . . ." not the consumers. The consumers of the dollars but not the consumers of the services are less than forthright with the way they're dealing with the state.

MORRIS: Consumers of the services--welfare recipients and . . . ?

CORY: Yes. The people who get the medical services are in one group, and then you've got the real consumer group of those Medi-Cal dollars, the health industry.

MORRIS: The providers of the services.

CORY: Yes. They're the ones who get the money. And there was the relationship between health care services and the intermediary, Blue Cross/Blue Shield, and that is always a problem.

MORRIS: Is it time to wind up? It's two. Thank you for squeezing me in when you've got another appointment out there. I think we need one more time, if you can--in January?

CORY: Okay.

[End Tape 5, Side B]

[Session 4, February 26, 1988]

[Begin Tape 6, Side A]

MORRIS: When we stopped in December, you were talking about the controller's office having been assigned to do county welfare audits. You were saying that some health providers were less than forthright in dealing . . .

CORY: They weren't county. . . . It was the Medi-Cal audits.

MORRIS: The Medi-Cal audits.

CORY: For the state of California. Medi-Cal funds are federal-state match, and there were historic problems all during the Reagan years over the Medi-Cal expenditures. During the Jerry Brown administration, they continued. So somewhere in the middle of that or somewhere, the legislature decided they wanted the controller to participate in auditing those, and they created a Medi-Cal auditing. In the process, the providers were alleging that the state of California did not have a right to look at medical records and that the controller's office did not have the right to that information. The theory of their case, as I recall it, was those were . . . The privacy of medical records should not be violated from the doctor's viewpoint. And that from our side of the table was that, just as if they had an insurance company and you wanted your insurance company to pay the bill, the insurance company had a right to know whether or not you got the service. And whether or not the service related to some condition that was covered by the policy.

They said, no, that they didn't. We went to court. We ended up getting access to that information, and it basically showed a surprising, an alarming, incidence of people overbilling. Overbilling may be at least. . . . Either one of two things was going on. Either correct medical

procedures were not being followed, or people were billing for things that weren't rendered. Because, when you would take the doctor's records of what they would bill Medi-Cal for, and go to the patient's file, there was nothing in the file indicating that that service had ever been rendered.

Now, it is possible that the services were rendered and they didn't bother to keep it in the file. Of course, when I raised that question to the staff and others, including the CMA [California Medical Association], they said no, that's impossible, because that would violate professional ethics. You had to keep those records so you know how you're treating someone, and they couldn't possibly be doing that. I've worked around enough organizations with enough people that I know that sometimes people don't follow the rules. But they insisted that. . . . It was enough of an incident then The auditors didn't find any cases where, when looking at a file, there was a procedure performed that wasn't billed for. So you would think that if it was just human error, it would go both ways.

MORRIS: This was the California Medical Association, as well as Blue Cross/Blue Shield was involved in this?

CORY: Blue Cross/Blue Shield was an intermediary, and then Computer Sciences [Co.] became the intermediary.

MORRIS: Computer Sciences is a separate corporation?

CORY: Yes. They have been the intermediary, and I think now Ross Perot has the contract. Might be EDS [Electronic Data Systems] or something.

MORRIS: Now, were those contracts to verify what the controller's office was doing?

CORY: No. We were just checking on their verification. The relationship between the computer operation has always been fraught with political peril from the commencement of that program, and that's what we were doing, was just verifying their work. If you go back to the historical relationship between the state medical society and "the Blues," as they are known. . . . They at one time were very hard to distinguish one from the other. They have at this point substantially gone their separate ways, and they are not the interlocking directorate they used to have.

But when the system started, it was the CMA and the Blues running it. Blue Cross/Blue Shield came to the conclusion that their self-interest was in running a nonprofit insurance program and not being a part of the medical society. Things drifted apart; they were just in different communities of interest.

It was in the middle of that, sort of the tail end of that separation, that the audit started. The Blues lost the contract to Computer Sciences. Then, Computer Sciences I think—I'm not sure of it, but I think—recently lost it to EDS.

MORRIS: Which is Ross Perot?

CORY: That's the company which he founded, he sold it to General Motors [Corp.], and it's now a division of General Motors.

MORRIS: I see. Why do you say that the computer system was fraught with political peril? Is it just in the Medi-Cal area?

CORY: Yes. This contract, every time it was up for renewal, there was a great deal of tugging. It is a very large contract. It is a question of. . . . It's a thing that could in fact probably be done within state service. They chose not to do it that way.

MORRIS: Who is they? The legislature?

CORY: It's unclear whether it was the legislature or the administration that first started. The CSEA [California State Employees Association] was not really, I would guess, strong enough at the early phases when the Medi-Cal program started, to really focus in on why that should not be allowed to go outside, trying to challenge the question of whether it was constitutional to take it out. Once you get it outside, then you've got what the courts call "contemporaneous administrative interpretation," which is given significant weight of law if it's not challenged in a timely manner. But there is a constitutional provision that says that any work that can be done by the merit system must be done by the merit system. I don't know if anything is unique about that that it could not have been done within the state system. But they chose not to, and that's the way it's gone.

It is a very large contract. It is both a great deal of money to the contractor and it is the mechanism for allowing

a lot of money to go out of the state treasury. So if the computer audits and edits are not turned on, or if they're turned on inappropriately, you can overscreen. One of the things that has gone on through a multiplicity of administrations is to slow down, if you need to balance the budget and you're short on money, you can slow down payments. One of the easiest ways to slow down payments is to force in some new audits and checks in the Medi-Cal program. The clerks are not used to--and the doctors offices and the hospitals are not used to--doing things a certain way. You change them and you get to send them back, and you can pick up thirty to sixty days when you're billing millions and millions of dollars a month for them.

MORRIS: Aren't you also adding expenditure by setting up another audit procedure?

CORY: Not. . . . The contract calls for certain audits. For a long period of time, the audit procedure that Computer Sciences developed . . . It is a computer audit system, by and large, and they turn them on one at a time. To debug the system, they can't get it up and running with all the bells and whistles, so they start with the bare bones with nothing on them, and then they start adding the audits. After they get that system working, then they'll try this, and then they keep checking; the computer doesn't work, doesn't work. The basic cost was there; it was anticipated, but the real cost is shifted by delayed payments to the providers. So you get them to carry your interest for you.

MORRIS: Is this something that the controller's office participates in, or is this something that comes . . . ?

CORY: That is something that is basically done by [Department of] Health Services and the Department of Finance. They'll deny it, but the health care providers, I think, will tell you that when the state is hurting for money, payments are very slow. There are new audits, things are sent back, where there are obvious transposed numbers. Little things could be corrected and processed, but if you have the choice, you send it back.

MORRIS: Well, if Health Services and the Department of Finance also have an audit function, what was the controller's office able

to contribute to this situation?

CORY: Because, the constitutional requirement of auditing is the controller's constitutionally. He has that right to do, period. For anybody, not just those. In fact, this was specifically assigned because of repeated failures by Finance and Health Services, either through incompetence or connivance. Probably both. But one of the ways of hiding from the legislature how much money was there was by regulating this cash flow. Because it's a large expenditure item that they could lengthen out, or if money was coming in too fast and they didn't want the legislature to know that they had that, because they would spend it as they were putting the budget together. They could just crank up and speed up, shut the audits off, process faster. You would spend more money. It would look like you had less cash, because you had less amount of bills in the pipeline. It could be done both ways.

MORRIS: So was the controller's office able to institute any . . . ?

CORY: No. Well, we discovered. . . . It did cost, I don't know what that division cost, I can't recall at this point, but there is a division of Medi-Cal audits, a subsection for Medi-Cal audits. Every year that I was there, the total period of time that we had it in existence when I was there, the total savings that we had through the audit process, we would have more than paid for the audit system for things that we caught that were erroneous. One of the things, for example, that they did was applying a death check, so that we would stop paying medical bills for dead people.

MORRIS: Had this been a problem?

CORY: Yes.

MORRIS: To their doctors?

CORY: To their doctors, to their hospitals, to laboratories, to nursing homes. The relatively simple procedure of matching the tapes of death notices, and requiring. . . . There is the possibility of people who had a billing that was dated after the death, three days after the death, but in fact the service was rendered before. But at some point I think you have the right to put the burden of proof on the person providing the service to show that in fact they had provided

that, prior to the death.

MORRIS: How did the Department of Finance and Health Services greet the controller's people?

CORY: Not particularly well, but they're getting along fairly well. Some of the staff people in Health Services found it to be advantageous, because when they were under political pressure to roll over on an issue, they could say, "We can't do that, the controller won't let us." And so it enabled the. . . . And a lot of our auditors basically worked with people in the bowels of Health Services, who didn't like the kinds of things that were going on. So that's probably the major source, that they know what to be looking for this month.

There were points of tension, but usually they were resolved. Once you got up to a high enough level, people would say no, we don't want to fight over that issue. One of the few that I can recall was Contra Costa County Medical Society, the pediatrics folks were very upset about our audits. They weren't going to let us have medical records [that] the courts said we had a right to.

MORRIS: Let's see. There is another area in the controller's office. That's the place where the inheritance tax appraisers are appointed. Apparently, that's been a source of controversy over the years. How did you deal with that?

CORY: I don't know. It was a source of controversy before it ever got to the controller's office. They were originally appointed by judges, and the repeated controversy that arose over the people who were being appointed to those positions gave rise to the change that moved the appointing power away from the judges to the controller's office.

If you go back historically. . . . I think it's fraught with peril because basically, in my judgment, the people don't do anything. It's a make-work job. I voted for every bill to eliminate the position when I was in the legislature. You can never get the bill passed or signed, because the probate bar of the state of California finds it very convenient to have what they now call probate referees. They were called inheritance tax appraisers at one point, and they had different name changes.

The federal government collects the equivalent tax, the

estate tax, which is basically the same tax, the transfer of The federal government taxes the estate as opposed to the inheritance, but that's a bit of legal sophistry that doesn't make a great deal of difference to this function. They do not have any such person. It is all on a self-appraisal system, just like your income taxes. It is your responsibility to report what you're inheriting and what its value is, and pay the taxes on it. There are auditors; if they don't like it when you file, they come back and audit and challenge. In the state system, by having these so-called independent, court-appointed referees or appraisers, they establish the value.

MORRIS: Now, what's the distinction between the court appointing them and the controller's office appointing them?

CORY: What the controller's office does is place them into a panel, and then they're assigned by the court to individual cases. Originally, there was a panel within each county; the superior court judge rotates the people through. As cases come in, he assigns cases to them.

MORRIS: But you would have said, "Joe, Pete, and Tom are on the panel for Alameda County?"

CORY: Yes. Prior to that, the courts went out and picked the people and put them on.

MORRIS: So they were not people that you necessarily had any personal awareness of or named?

CORY: Some did. I named, during the period of time I was there, I named all of them. But when I came in, there was a group

. . .

MORRIS: But they were from your selection?

CORY: Yes and no. They first had to pass a test administered by the state Personnel Board, which certified as to their competence. From that list, I was able to appoint people. Then the judge is allowed to appoint from the panel that I put in place, and does, on a random basis, assign those individuals to individual cases.

MORRIS: There is a general public perception that the appointees are a political reward.

CORY: That's erroneous. But that's what the press likes to write about.

- MORRIS: I don't think I have ever dug deep enough to discover the Personnel Board test process.
- CORY: That doesn't make a good story, if you discuss that. But before someone can be appointed, and that was the case when I became controller. . . . It was not the case that occurred during Hugh Fluornoy's administration. That was the only reform that the probate bar would allow to happen.
- MORRIS: That the Personnel Board process was instituted?
- CORY: Yes. And so they are in essence certified as being competent. Now, the problem with that process is that there is no job to do.
- MORRIS: You're taking a test for something that may happen in the future.
- CORY: Yes. The test you take is irrelevant to the task to be performed, because they're. . . . Let's go back to the basic factual situation. The federal government collects the same tax without having these people. So it is a make-work project, and it's awfully hard to really test for a make-work project. I thought that was true before I was controller, and I became absolutely convinced it was true after I was controller.

One of the real keys to it was: the first exam that was given by the state Personnel Board when I was controller, a fellow that I had known for some period of time, had worked for a number of years, five or six years, as an inheritance tax appraiser for Alan Cranston. He had done the work for two other appraisers, in a large metropolitan county. So he had the equivalent of like ten or fifteen years experience at the job.

He took the test. He got the second highest grade of anybody in the state who took the test. I've never seen the exam; I don't know what the questions are, but I asked him about the exam. He said, "Oh, it's really a tough test. Frankly, it's a chicken-shit test. Very tricky."

I said, "Well, how does it relate to what you are doing?"

He said, "Well, of the hundred and fifty, sixty questions that were on it, there were only two that related to anything I had ever done, in all the time I was serving."

So that's what I mean: it's a make-work project, the test doesn't really test. . . . It's a difficult test, it goes into all sorts of esoterica, primarily about real estate appraising, as they tell me. I have not taken it. . . . talking to people who have taken it. I had one person who had taken the bar exam and that exam in fairly close proximity, and he felt that this exam was much tougher than the bar exam.

So the people pass the test. They take it. Some pass, some fail. After they pass, then they get to be appointed. In Fluornoy's administration, it made it a crime for any of those people who were ever involved directly or indirectly in financing the controller's campaign to be appointed. It put a limitation not to exceed \$250 a year total contributions to any state office.

MORRIS: That's quite stringent.

CORY: And so, for those people to be. . . . I mean, they are political eunuchs and have been for twenty years.

MORRIS: I came across a note that there was a federal grand jury investigation of your applicants?

CORY: Yes. There were allegations made that I had taken money for appointing people.

MORRIS: Who brought the allegations?

CORY: Primarily people who had had the job and were replaced.
[Laughter]

MORRIS: I see. Is it a pleasure kind of a thing, everybody resigns and then you get to rename people to the post?

CORY: No. It is a modified system in which the controller can remove one per county without cause, or 10 percent of the panel, whichever is greater. And he can remove any number for cause. Those people who were there felt that they should be allowed to continue this nonshow job, really. A person who has the job, there is some paperwork to be done, they can spend maybe two days a week. If you're in a metropolitan county, if you work two days a week, you could do it very comfortably. Talking to these people, they are very guarded about telling you what they do, even though I appointed them for twelve years.

But in reality, if a person is of average intelligence,

they should be able to have a secretary and an office, they should be able to do that in two days a week of work. Somehow I don't think that's worth seventy, eighty thousand dollars a year. I think that's a no-show job. But that's what it is.

MORRIS: What was the cause for which you replaced them?

CORY: None. [Laughter] No cause. I just felt that Mr. Fluornoy had his friends that he put in there, who had passed the test and who were qualified, and I felt frankly the people I was looking for at the time were the have-nots. I look upon it as community scholarships. That's the best you can say for it. So I was looking for young people, blacks, browns, women, to appoint to those positions. They were qualified. I had a group of people who were certified by the state Personnel Board by independent testing as being competent, and I appointed them. And I removed people who had been doing it. No particular reason other than that. Caprice. The statute clearly said that that's what I had the right to do.

MORRIS: Now, is this a specific Personnel Board test for inheritance tax referees? There's not a general basic entry-level management assistant kind of . . . ?

CORY: No. They are not state employees. They are independent contractors.

MORRIS: Why do you take a Personnel Board test if you're an independent contractor?

CORY: Because the statute imposed this duty on the state Personnel Board to test these contractors, because prior to that, these contractors were alleged to be incompetent, because they had no standard of measurement as to whether they. . . . It's a nothing job, so you're measuring nothing. It's a non sequitur that we have institutionalized into the system.

So people got very upset when old Rotary Club real estate brokers and real estate appraisers who had a soft touch getting these incomes and not working very hard for them were replaced by young snot-nosed kids, who happened to be very bright. And they were people with black skins, brown skins, and women, God forbid.

MORRIS: That's really serious. I understand.

- CORY: They were just shocked and dismayed that their little bailiwick was. . . . These jobs were being turned over to these people. They got very upset; they were losing money. So they alleged all sorts of things.
- MORRIS: OK. How about the controller's role in dealing with the effects of Prop. 13 in 1978¹, and then Prop. 9, which set up the Fair Political Practices Commission?²
- CORY: Well, the Prop. 9 thing is probably easier and quicker to dispose of. I had an appointee to that, and that became a vexing chore, because the various people I would appoint would decide they didn't want to do it. It is a terrible job, terrible job.
- MORRIS: You did not support Prop. 9?
- CORY: Prop. 9 was talking about the political reform. I did not support that. I think it's a bad law, and I think the empirical evidence shows it's a bad law. The system is much worse off. It's far more influenced by money after it than before. And it's a false goal. There's a whole lot of reasons for that. But because of that, I was somewhat concerned. My first appointee to that was [former Congressman Jerome] Jerry Waldie, who had run for governor, who had a reputation of impeccable integrity, but who understood the political process. Jerry just finally got tired of it and fed up with it.
- MORRIS: He was still commuting from Washington at that point, wasn't he?
- CORY: I think so. The next appointee I think was [] Joe Remcho, from the ACLU [American Civil Liberties Union]. I think. Boy, that's been a long time. Carole Brosnahan, who worked for the California [State] Bar [Association], is now a judge, and [V. Arthur] Art Metzger [Jr.].
- MORRIS: This is one after the other?
- CORY: Yes. And there may be another one in there. My last

1. Property tax limitation initiative approved by California voters in June 1978. Cited above.

2. June 1974.

appointee was, because of the unique nature of the law, when certain things happened, when John Van de Kamp became AG [attorney general], the constitution or the initiative required that I appoint from a list submitted by the Republican state chairman . . .

MORRIS: With you with a Democratic background. I see.

CORY: The theory of it seems to be that they did not want. . . . if the Democrats had all the appointing powers, they did not want the commission controlled all by Democrats. They wanted both Democrats and Republicans on it.

MORRIS: So if there were all Democrats and a vacancy came up . . .

CORY: Then the controller's vacancy appointment had to be from this list. And it had to be of the opposite party, to get the partisan ballots. Reinecke submitted me five names. He had to have a minimum of five people which he submitted to me.

MORRIS: This is when Reinecke was chairman of the state party?

CORY: Yes. One of them was Miriam LaFollette's husband. Another one was Reinecke's personal lawyer. Another one was Judge [Irving H.] Perluss, here in Sacramento. A fellow named [] Mike Montgomery.

[End Tape 6, Side A]

[Begin Tape 6, Side B]

CORY: As I recall, two of them, after they were on the list and I was going through trying to learn something about them, decided they wouldn't serve.

MORRIS: Why?

CORY: They just changed their minds. I don't know. I had never met any of them. I ended up appointing Montgomery because he had the most visible Republican credentials, and had some involvement in elective politics. I made it a practice basically not to talk to people after I put them on there, just because I didn't want anybody to imply that I was trying to influence them in any way. I mean, I would see people socially and say Hi, but I never talked to them about anything relating to it, and basically avoided the people. I wouldn't leave the room if they walked in, but I wouldn't

. . . .

Art Metzger, who had been a business professor at Long Beach State College, was somewhat controversial in his own right, but he had kept the books of my campaign for a number of years. He had for eight or ten years. All the time I was in the legislature, he kept the books for me. He was a good supporter and friend, and I sort of didn't talk to Art because of that. I didn't want him to be in an awkward position.

I did that with Carole, who is a friend. We see each other on occasion subsequently. But just felt it was better. So that's the problem I encountered.

Prop. 13 and the controller's office. Thirteen wasn't so bad as the bailout bill.¹ I was trying to implement 13, because the legislature assigned all sorts of duties of adjudicating all sorts of minutiae, in terms of whether people were complying, weren't complying, whether they were entitled to bailout money, not entitled to bailout money.

MORRIS: That they delegated to the controller's office?

CORY: Yes. So we did all of that, and that was a substantial amount of legal interpretation and audit work that was going on with that. The state Board of Equalization . . . one of the fascinating things was that we basically eliminated the property tax as a vital mechanism of governmental funding, but we probably had a 30 percent increase in the overhead of administering the tax.

MORRIS: Overhead of administering property tax?

CORY: Yes.

MORRIS: Which is a county function?

CORY: No. Board of Equalization. That's an oversimplification and not quite true. The Board of Equalization oversees all counties' tax assessment and collection to make sure that they're equally done. That's its constitutional function, so it is administered by the Board of Equalization. The day-to-

1. A.B. 8, 1979 Reg. Sess., Cal. Stat., ch. 282, and S.B. 186, 1979 Reg. Sess., Cal. Stat., ch. 1035.

day administration of the local assessor, but his assessments are checked in great detail to make sure. Because we have had chronic problems, San Francisco being one of the most abusive, through the years, historically, of underassessing the taxpayers in that community. And thus, getting a disproportionate share of state aid.

Because, if you looked at the various systems, they've somewhat altered, but through the years there are advantages to local communities of not charging their taxpayers. One, they curry favor politically, and two, the state makes up for the lack of revenue to the poorer counties. So they are able to suck more money out of the state general fund. The constitutional function of the Board of Equalization is to keep that from happening.

The public utility property, anybody that's regulated by the PUC [Public Utilities Commission], all of their real estate is directly assessed by the state Board of Equalization. So there was one of the big questions, because of the terms that were used, whether the utility companies got the benefit of Prop. 13, or whether it was just the local [tax] roll. And we opted at the Board of Equalization that it only applied to the local roll, because that was the language that was used in the initiative. So there was a lot going on, but it was more administrative convenience for bureaucrats, as opposed to anything substantive with facts.

MORRIS: Was it more a matter of you just sitting on the board and voting yes or no to what the executive proposed, or did you have to be more involved than that?

CORY: Well, there were some things that were going on prior to that. [Board of Equalization member William] Bill Bennett and myself were involved in, when I first came on the board, getting the board to have the utility company's property taxes escalate at about the same rate that individual local roll property taxes were increasing in value. That had not been the case. The corporate community, as it related to the state board assessment, was substantially undervalued and had been for a number of years.

MORRIS: Utilities more so than other kinds of business enterprises?

CORY: The utilities. All I'm talking about is the state roll, which is only the utilities. That, if you go back through the high inflation years of real estate values in the state, you were having maybe a 10 to 15 percent annual increase in property tax values, and that's what the locals attacked me on: their house was getting nailed for those increases, which gave rise to 13.

Part of the reason it occurred, in my judgment, was that it was a 3 or 4 percent increase for property owned by utilities during that same period of time. It defies logic. They owned real estate, and if real estate in Contra Costa County was going up at 15 or 16 percent, PG&E's [Pacific Gas and Electric Company] real estate was going up just as rapidly. If anything, the assessors locally were behind the market. If they were saying they went up 15 percent, they were probably going up 20.

So, that was in place prior to . . . and that was a change in policy decision, changing the way the staff looked at those things. So we sat there and forced the issue, knowing that the local roll was all that was affected. There were some other issues, but other than that, it was primarily administrative, review of substance.

MORRIS: How about the Franchise Tax Board? That seems to have created a lot of visibility.

CORY: Yes. What about it? [Laughter]

MORRIS: Well, I was wondering why things got so controversial with the Franchise Tax Board, on which the controller also sits as an ex officio member.

CORY: Well, I think it basically stemmed from the fact that historically, in the state of California, the Franchise Tax Board was created because of abuses of the tax collector. There was a tax commissioner which collected those taxes for a number of years. The tax collecting apparatus, the bureaucracy that collected, were just abusing taxpayers. There was a great deal of controversy, and they created the Franchise Tax Board so that there were elected personnel who would be overseeing the tax bureaucracy. There is a lot of reason why tax collection in this country is vexing.

MORRIS: More so than in other countries?

CORY: Yes. Other countries accept corruption better, I guess. Like in Italy, everybody keeps two sets of books, and nobody gets upset. That's just the way it's done. In this country, people expect more. We are on a self-appraisal system. People are expected to pay, and everybody wants everybody to pay fairly. The self-appraisal system, when you really analyze it, works surprisingly well. There is not a great deal of enforcement, but part of the reason that that works is that once the tax collecting apparatus takes you on, there is a great presumption of guilt, as opposed to innocence. If you really look at the fine print of all of those tax laws, the burden of proof is on the taxpayer to prove that the tax collector's assertions are invalid. As opposed to most other areas of law, the person making the first assumption bears the burden of proof.

That change is essential to make a self-appraisal system work. When you sit down to fill out the forms, it makes you worry, and it makes you more honest, and you fill them out and you pay your taxes. But the countervailing negative dimension of that is, that when you do it and you're the tax collector and you have the presumption that you're correct, the abuse of power is inevitable.

You can assert something as a tax collector, when you do an audit. You can seize a person's bank account. You can do a jeopardy assessment without a trial. You can do all of these various kinds of things. Those things make it easy to collect, make it where people don't want to challenge you, don't want to argue. It makes for efficient collection. But it also gives rise to the person who, for emotionally corrupt or financial reasons, can end up abusing it. And it happens. It's an inevitable process of the system of collection, of too much power without checks and balances.

MORRIS: Now, are you saying that there was abuse of . . .

CORY: Clearly.

MORRIS: By the staff of the Franchise Tax Board?

CORY: Yes. I mean, there are terribly humorous incidents, unless you were the taxpayer who was getting the shaft. My controversy with the people out there in the agency came when I discovered that the California Supreme Court had held that

. . . . And the Franchise Tax Board was three people; there were three people who are the board; and if all the responsibility is invested in that board, and the staff acts in our name. . . . when I find that I have lost the case before the state supreme court, which nobody on the staff had told me existed, and that I was told by the supreme court that I had taken somebody's property and disposed of it without giving them a hearing, and that was unconstitutional, I was a little concerned.

It seemed to me that somebody somewhere in the system should have looked at that issue and come to the conclusion that, as much as the cards are stacked in favor of the tax collector, before you take somebody's asset and dispose of it, he has a right to a hearing. I don't think that's an unconscionable burden. It is frightening to me that it could have occurred without somebody in the administration saying, "Hey, now, this guy's got to have a hearing. You can't do that."

MORRIS: Did you talk about this case with Martin Huff, who was then director of the Franchise Tax Board?

CORY: Oh, yes. We called him in at a meeting. We were at a Franchise Tax Board monthly meeting, and he went through his agenda, and I said, "By the way, I'd like to know about this case we just lost." I was informed he couldn't discuss it with me. I said, "Oh? That's intriguing. Why can't you?" "Well, we've lost this case, and there's still litigation pending."

I said, "Well, I want to discuss it. I've lost the case before the supreme court. It's me, Ken Cory. I'm a member of this board. You aren't. And I want to know what's going on."

Well, he said that the reason he couldn't discuss it was because taxpayers' data is confidential, and it can't be discussed in public. And I said, "But the man went to court! It's gone to the supreme court. All that's in public domain."

He said, "Look, there are details of this case, of the specific case, we can't discuss." I said, "Fine. We're going into executive session, you're going to explain it to me."

He didn't want to talk, and we got into a rather substantial confrontation as to why he wouldn't explain about this case. The conversation went something like, "Well, you don't understand." I said, "Well, I think I do understand. We lost it. The California Supreme Court said we behaved unconstitutionally, and frankly, I think we've behaved reprehensibly. I don't understand how somebody, somewhere, didn't say, 'Let's give the bastard a hearing before we hang him.'"

MORRIS: The person who we're talking about, he never had his day in court, or she?

CORY: No.

MORRIS: How did it get to the supreme court without a defendant?

CORY: They had taken his property and sold it. It was gone.

MORRIS: And he . . .

CORY: Then went to court, and the court said, "Hey, you can't do that." I mean, how would you like it if some day you walked home, and all of your furniture was gone, and the Franchise Tax Board had sold your furniture from your house, and you had never had a hearing. Not even before an administrative officer. Had never had your day in court.

MORRIS: That's interesting, because Huff normally has a fair reputation for . . .

CORY: Martin Huff is one of the most fascistic people I've ever met in my life. He exploded. It was an absolute . . . That's what happened. I'm sitting here saying, "Wait, you took this man's boat and sold it without even giving him a hearing?"

MORRIS: This is a boat, the property?

CORY: Yes. This was one of the things. I mean, they took . . . They closed the man's business, took the stock in a company, sold it, sold his business out from under him, took a boat and sold it from him. Without giving him a hearing. Now, if he'd [Huff] been forthcoming as to the circumstances, I could have dealt with it in a different way. But we had to drag it out of him, basically put the thumbscrews on him, by saying, "Martin, you're going to answer this question, or we're not ending this meeting."

So he said, "Oh, we aren't prepared." I said, "Fine. When will you be prepared? We'll meet tomorrow. We'll

adjourn the meeting until tomorrow." He started saying, "You can't, because you've got to have due notice for a meeting."

I said, "Fine, we're adjourning this meeting until tomorrow."

MORRIS: You're chairman at that point.

CORY: Yes. I was chairman the twelve years I was there.

MORRIS: Is that also ex officio, the controller as chairman?

CORY: No. That was done by votes.

MORRIS: Did you lobby for that chairmanship?

CORY: Not really. I mean, at one point, [Board of Equalization Member Ernest J.] Ernie Dronenburg thought he was going to try to become chairman. I disabused him of that idea. When he and [Department of Finance Director] Jesse Huff were there, he thought because he was a Republican, he should be [the chairman]. I pointed out to him that he might think that would be a good idea, but the only reason he was chairman of the Board of Equalization was because the Democrats made him, and he wouldn't be chairman if he went ahead with that election. So it would be short-lived, and that would be fine.

So, we finally had the meeting, and the conversation goes like this: "Well, you don't understand, Mr. Chairman. This man's a drug dealer." I said, "Well, you mean, because he's a drug dealer, he doesn't have constitutional rights? The supreme court doesn't seem to think that." He said, "Well, they don't understand." "Well, it is the law of the land. Tell me about his drug dealing. I mean, what was he convicted of?"

"Well, you don't understand." We finally discover the man had been acquitted of being a drug dealer. He wasn't a drug dealer. And this is the great liberal Martin Huff, who sat there, and what he was doing was, there was a cabal between the drug enforcement authorities and the tax officials.

MORRIS: The state or federal?

CORY: Both. And the tax collectors. When they thought they had somebody who was evil, to minimize their ability to defend themselves, they would notify the tax people. Have them issue jeopardy assessments on all their assets the day they arrested them, so they couldn't get any money to hire a

lawyer. I find that offensive.

I do not like drug dealers. I have a very strong feeling for some very personal reasons against drugs. But, for someone who has only been accused, to have them . . . What they had done with this guy--and I can't remember his name right now--they'd gone in and seized all of his things. He had been acquitted of the charges, and he came after them. They agreed to let him off the hook if he would sign a release against damages, and he said, "No. You've damaged me, and I'm going to . . . "

MORRIS: This is a release of damages on the boat issue?

CORY: On all issues. And basically, they had nothing in the file.

MORRIS: "They", the Franchise Tax Board?

CORY: Yes. We asked him to bring the file and show us. They had an anonymous phone call from somebody purporting to be a drug agent. That was all they said they had in the file, alleging that this person was going to be arrested the following day, and that he had done this volume of business, and they should go after him for taxes in such-and-such amount. They went ahead and seized the assets and started disposing of them.

MORRIS: That's interesting.

CORY: It's frightening. I mean, you have to have that kind of bad fact to get to the supreme court and have them do to a tax authority what they did.

Well, it took us about a week to get that information from Martin. I was appalled, because I believed him to be an honest, forthright liberal.

MORRIS: Had you been acquainted with him before he was FTB, when he was active in the Democratic party?

CORY: I knew of him. I didn't know him well, but I knew him at FTB. There was only one thing that bothered me about Martin at that time, and that was a curious thing that I'll never know the answer to. That was Martin Huff, when Hugh Fluornoy was chairman of the Franchise Tax Board, coming to the conclusion that Richard Nixon was not a resident of California, and exempting him from California taxes. There were hearings when I was in the legislature, and I was really troubled by all of that. Martin Huff said it was his decision.

It was interesting. There were a number of things about that. I would guess Martin did it to try to curry favor so that Fluornoy and the Reps [Republicans] wouldn't bother him, in anticipating what they wanted, because he was in a difficult position. The Republican administration controlled the agency, and could have done something about it, so he was somewhat nervous. But the facts, I think . . . we have successfully prosecuted people for tax fraud who had far less connection to the state of California than did Richard Nixon, who registered to vote here, who had a residence here, who maintained bank accounts here, and said to the world he lived in San Clemente. But didn't pay any California taxes. Now, that was not the only thing, and I could not understand that, and I was willing to say, "OK, fine, he was under a lot of heat, how could he say no?" But other than that, I thought it was wrong.

MORRIS: Who raised the issue of whether or not legislative per diem would be taxable?

CORY: Martin. That's the kind of thing that Martin would do to try to leverage legislators, and give them a fight and try to intimidate people. But I can take you through cases of his overaggressive enforcement of the unitary accounting principle, which is one that I support.

MORRIS: You support unitary taxes?

CORY: Martin abused that one, and [chief counsel, Franchise Tax Board] Bruce Walker, in the way they would interpret things. It was just beyond belief. It made it very difficult, and basically the change in the unitary accounting principle that was enacted by the legislature is the fallout of the abuses of that.

MORRIS: Well, there seem to be a number of changes of opinion on that, both by governors and individual legislators.

CORY: The bulk of those changes, the gubernatorial comments on unitary I think are more political in nature, politically motivated. Jerry Brown being under attack for being anti-business. A lot of the attack he was taking was for Martin's abuses. I just have to say there were abuses. To put it in perspective, there was a lot of heat over the thing. I was always a strong supporter of unitary. Somebody suggested we

should listen to the business community's side of it, and so I told Martin we were going to have a hearing, to let the business community tell us why they thought it was wrong.

Martin was vehemently against that. He said I couldn't do it. Well, at that point it became egos and wills, and I'm as stubborn and hardheaded as anybody. And I happened to be chairman. I read the law, and the executive officer didn't have the ability to make those decisions. But Martin did not perceive that. Martin was the tax board. He was the last word, and it was his domain. Nobody had challenged him all the time he had been there. He made all the decisions, and that was what happened to him. That's how he got corrupted with that kind of power.

So he just was furious that I was holding this hearing. To show you the kind of things he got involved in, Martin informed another member of the Franchise Tax Board, I guess both of the other members, in the middle of that hearing, that the Franchise Tax Board was conducting a criminal fraud audit of me, without ever having told me. So when we took a break for lunch, one of the board members called me aside and told me that.

MORRIS: You as an individual, or you as controller?

CORY: As an individual. So I asked Martin to come down to my office and explain this to me. He gave some sort of a lame excuse, which was just absolutely inaccurate, talking about something that had been in the file for four or five years, the Franchise Tax Board had dealt with it and I had dealt with it at least three or four years. I said, "OK, Martin, take your best shot. But if you don't get me, you're a dead man."

MORRIS: You mean, if Huff couldn't get you, you would get him? In those many words?

CORY: Yes. I mean, if an employee without cause is willing to conduct a criminal investigation of his boss, and clearly what he alleges to be the excuse, if it was an excuse, he should have done it long before, and why he was really doing it was, I had that hearing. The fact that he informed the other members of the board, which I think is highly questionable, that he had the legal right to do that. I have

never been informed by him that he was doing a criminal investigation of any taxpayer.

MORRIS: I thought there was a unit in the Franchise Tax Board . . .

CORY: They do that, but they never tell the board members. But for Martin Huff to go to the board members and say, "We are conducting a criminal fraud investigation of the chairman," is an intriguing concept.

The upshot of that was when they concluded the the audit, which took a year, I would guess, for the sake of the argument, I conceded every issue that the auditor raised. I said, "All right, I don't think you're right on this issue, but say you are. Let's go on to the next one." By conceding every issue, the state of California owed me a substantial sum of money.

MORRIS: You weren't in arrears.

CORY: I wasn't in arrears. I had overpaid my taxes substantially. I turn in very conservative returns. They gave me a tax refund and closed the investigation. That's when Martin knew he was history.

MORRIS: Well, part of the problem, am I right, is that the executive of the Franchise Tax Board had a different status from other executive directors?

CORY: Not really. He thought he did. He thought he did.

MORRIS: It was a gubernatorial appointment rather than the board's appointment?

CORY: No. That's not true. Martin Huff was a non-civil service position.

MORRIS: Does that make him a governor's appointee?

CORY: No. That makes him an appointee of the board.

MORRIS: I see. I thought that was the issue.

CORY: No. There was a statute which said that once a person was in office, they could only be removed by a two-thirds vote of the state senate.¹ Now, that statute is probably unconstitutional or it probably was unconstitutional, because it was a statute that imposed that requirement. The exempt

1. A.B. 1883, 1953 Reg. Sess., Cal. Stat., ch. 107.

position that he occupied was a politically exempt position created by the constitution. And a statute cannot impair a constitutional position. That aside, the legislature in its wisdom passed a bill by both houses, signed by the governor, eliminating the statute.¹

MORRIS: Removing the provision that the senate had to vote?

CORY: Yes. And Martin chose to resign.

MORRIS: Was there somebody already being reviewed as a potential . . . ?

CORY: No. I was willing . . . if Martin had sat there and done his job, and realized that he worked for the board, he could have stayed, as far as I was concerned. But Martin's ego wouldn't allow that.

MORRIS: Was that kind of also an evolution of time, that for a number of years a lot of those statutory boards had been primarily content to leave operation of Board of Equalization, Franchise Tax, some of the other bodies in the hands of the executive?

CORY: Yes. But that comes and goes. What inevitably happens when you do that, the staff abuses the power, and then there is a change. But you go back through history, that's why the tax commissioner was eliminated. The same thing that happened to Martin Huff. If you go back through the history, it repeats itself. I mean, that's the saga of what was really going on, what was happening.

Martin, I respect his intellect, but Martin became corrupted by the de facto absolute power he had been given.

[End Tape 6, Side B]

[Begin Tape 7, Side A]

CORY: He was unyielding in advocating the unitary accounting principle, which people like to refer to as unitary tax, which it's really not. It's just an accounting principle, as

1. A.B. 239, 1979 Reg. Sess., Cal. Stat., ch. 1203.

how to account for income.

Jerry had asked him, "If you eliminate the unitary tax, what will be the cost?" Martin gave him a number. In fact, there was virtually no valid way of arriving at that number. It was out of the air. And Jerry had gone out making speeches, advocating this issue, and then somebody started trying to get at how they arrived at the number. There was no basis for it. It's those kinds of abuses. Martin never understood that there was something wrong with what he had done, in doing that to a governor of the state.

MORRIS: Well, over and over again, I've come across the fact that using the same numbers, different governmental bodies will come up with a different answer, either for what the revenue is going to be, or what the state budget's going to be, or what the loss or gain by . . .

CORY: Most of the others, you can get at the point where there is a basis for the reality of the assertion. In this one, there is nothing in the file, and you got down to the guy who had done it, it was like, "Well, I don't know. It's probably 10 percent of, how much . . . Oh, let's say \$585 million." That was it.

Now, if you do that, you say, "Oh, it's around \$600 million, governor." And you know by that language that that's an approximation. But when you issue a report and tell the governor that, and he relies on it, and that's when Jerry was just . . . He started referring to it as flaky data, the term Jerry applied to it.

MORRIS: Right. This is Jerry Brown using the term flaky data?

CORY: That's what it came from. And that was kind. I mean, Jerry had a right to be very angry. He was somewhat naive to be taken in. If he'd been around the legislative process and government a little bit longer, he would have probed that number before he started using it as gospel. Just as you said, different people use different numbers. That's why, when you've been around government, you get, "Well, what is the bedrock? How did you arrive at that?" That's just the way you go through it. Jerry just took it as verbatim and went on, and felt . . .

MORRIS: He didn't check it out with his own finance people?

CORY: They don't know.

MORRIS: I see. How did you find Jerry Brown to work with as governor?

CORY: He could be frustrating. The unitary was one of the issues in which. . . As I recall, he called me. It was important; he couldn't go to testify before a senate committee on unitary. . .

MORRIS: Federal?

CORY: Federal. It was important that I go back, that I do this personal favor for him.

I said, "Jerry, I'm really going to go do something else, I've got something else I need to do." "Please, will you please do this, I just. . ." OK. So I go back, and I do it. And I support unitary; I've got no problems doing it. But it wasn't an issue that I needed to ride point on; something else I wanted to do with my time. I was doing him a favor, something he felt was important on an issue that we shared. OK. I'll do it. But it was not an issue which I had made a great cause of my life.

Three days later, he repudiates his position. Now, I don't need that. So that's what I mean, it's frustrating. But I guess I probably got along with him as well as anybody did.

MORRIS: When you're constitutional officers of the same party, do you communicate and consult on various different issues?

CORY: Not really. Jerry was governor, and he had no need to consult with the lesser officers unless he chose to, and he tended to keep his own counsel for the most part. He would call me when he had something he was interested in.

MORRIS: That related to unitary?

CORY: Yes. But sometimes he would, and sometimes he wouldn't. That was his choice. I would guess I have more formal and regular communication with George Deukmejian.

MORRIS: Really? Because Deukmejian is a more formal, go-through-the-channels kind of a person?

CORY: That's part of it. And he is more willing. . . he is not particularly interested in those issues that the controller's office is interested in, by and large. So he would say, "Well, what do you think should be done?" You would not have

the kind of situation where you would be relied on for unitary, the way Jerry did about going back there and making his speech for him. I was delivering his speech. I wasn't speaking as Ken Cory; I was delivering Jerry Brown's speech.

MORRIS: And that was so said in the record?

CORY: Yes. That's what I was doing. And then to have him bail out; George wouldn't do that to me.

MORRIS: He would talk about it beforehand, or talk about what the issue was beforehand?

CORY: Yes. Plus he doesn't change, either. So, I think working with him was fine, but those give rise to frustrations. I also found that Jerry and I had a working relationship on certain kinds of issues that were important to him, or important to me. If we had a discussion, there were times I was worried he might not keep his end of the deal, but when I reminded him of the deal, he always did.

MORRIS: What kinds of things did you have a mutual interest in?

CORY: I mean, from oil, the environment, unitary, administration of agencies, how things should be run or shouldn't be run . . .

MORRIS: How about political reform? He espoused that Proposition 9.

CORY: No. I mean, we openly discussed our differences; during the campaign we discussed it. He had his views; I had mine.

MORRIS: Well, a lot of people have said they had a terrible time getting to see Jerry Brown while he was governor. How about you as controller? Did you have the same problem?

CORY: I will have to say that that was probably more my unwillingness to put up with bullshit. But if I needed to see Jerry and I called [governor's staff members] Lucy [Killea], or Gray [Davis], or B.T. Collins, his chief of staff after Gray, if I called one of the three of them and said, "Look, I need him and I need him now. Where is he? Get him. This is important." I didn't do that very often, because it usually wasn't that important. But I also didn't like sitting around until eight or nine o'clock while he played metaphysical games with people, to talk about something, and they usually weren't important enough for me or him, and that was fine.

MORRIS: You've been very close to Jesse Unruh in the assembly. Did you continue to work closely with him when he was in the

treasurer's office?

CORY: Yes. Jesse has always been a very close friend of mine. Particularly when things are very bad for either of us, we sought each other out.

MORRIS: To commiserate, or to figure out a way out?

CORY: For support. We were those kinds of friends. There were things that I did with my life that Jesse found boring and uneventful, and I found some of the things he did with his life the same, but that didn't affect our friendship.

MORRIS: This is all nongovernmental things?

CORY: Yes. Even some governmental things. But on the governmental stuff, the differences philosophically were very minor, in the twenty-some-odd years I worked with the man. Very few, that we would have disagreements. And those were always handled in a fairly decent. . . . Our greatest confrontation was over gun control.

After [U.S. Attorney General Robert] Bobby [Kennedy] was killed, and I was a Bobby Kennedy delegate, and a friend of Bobby's, and a friend of the Kennedy family's to this day, but I just don't think gun control works. Jesse was very much for gun control.

MORRIS: This was in your legislative days?

CORY: Yes. I remember a discussion where [Assemblyman Winfield A.] Win Shoemaker had a bill to outlaw guns or regulate them in some fashion, after Bobby's assassination.¹ Jesse was talking about how he was going to push the thing through, and I just argued with him. I said, "Jesse, you're wrong. Leaving the issue aside politically, this is why it's a mistake for you, and for the Democratic party to do this. What you are doing, you are not going to get [Assemblywoman] Pauline [L.] Davis, and I don't think you are going to get [Assemblyman] Carley [V.] Porter, to vote for that. I'll tell you because you're my friend. If you ask me as a friend, I'll vote for it, because I love you like a father. But it's wrong, and I shouldn't do it, and you shouldn't do

1. A.B. 1259 and A.B. 2096, 1968 Reg. Sess.

it. But you're my friend, and if you feel that you have to have it, I'll do it for you. But I'm telling you what you're doing is wrong for you, the party."

He was somewhat troubled by that, but it did affect what he did and how he went about it. He knew he was going to lose it after that.

MORRIS: Were you the vote-counter at that point?

CORY: Oh, we were all. At that point, if you were in the operation, you always counted votes. All of us. That was your responsibility, and he realized that the votes weren't going to be there.

MORRIS: In the constitutional officer phase, was there a point when the controller's office was in a flap about some retirement investments?

CORY: There was a series of rows with investments. The legislature required that the two funds be separated. They had the same staff investing both funds. The legislature said they had to separate, and there were a lot of flaps that came out of that. A whole multiplicity of them. Probably the major one was a fellow that Jerry Brown appointed as a savings and loan executive brought a loan to the board, and he had not disclosed to the staff of the board that he had a financial interest in the transaction. He was just sentenced in the last month to twelve years in prison for that.

MORRIS: Ouch.

CORY: He had received around a million-and-a-half dollar bribe. He was convicted of that and sentenced. That was a controversy. That was a loan which I voted for. It was a loan which has made the State Teachers' Retirement System a lot of money, even though he stole a lot of money. It, not unlike probate referees . . . the newspapers have not told the story of that, that we did not make as much money as we had hoped. There were a lot of reasons for that. The price of oil has fallen.

It was an oil investment which was all the time, 100 percent, a \$50 million loan and an equity position, a company, \$50 million was guaranteed by the U.S. government, plus a 9-1/8 percent return on our investment. Last time I checked, we had a return of about 11 percent on the \$50

million. The entire \$50 million had been repaid. So the entire principle is back. The state of California owns a small oil field in Texas, which is producing, I would guess, about \$300,000 a year in income, and will for the next thirty or forty years. And so that percentage of 11 percent will just slowly go up, because of that.

But in fact, there was some \$3 million that was stolen from that. Documents were changed. The way the loan was approved, it couldn't have been done. But in the process of that, there was a great deal of discussion and implication, that other people were involved, that I might have been involved. Just didn't happen.

MORRIS: What I hear is a number of times, you've said that the media didn't tell it right. Have there been times when the media was helpful in questions you were trying to raise, or issues you were trying to resolve?

CORY: I never really thought about it. There are competent reporters who can write a story well. Not too many of them; a few. Very few. I can understand their problems. They're required to be generalists; they aren't paid a great deal of money. They are required to meet quick time lines. They have daily production quotas. They have to make things entertaining. They have to write a story that will hook the reader, because what they're really in the business of doing is selling advertising. They are not in the business of . . .

MORRIS: This is radio, television, and print all together?

CORY: Yes. And that's the business. We get confused and assign to them roles that are Tooth Fairy roles. They're Santa Claus roles. They're not the guardians of the public trust. The First Amendment right is a value and a right of individuals. But the people who are in business, the so-called journalists, are in the entertainment business. They provide entertainment to sell advertising. That's what they do, and we keep confusing them.

But there are some of them who are competent, and can write a story. A guy like [Robert] Bob Schmidt, who will spend enough time. He will not write a story if he doesn't really understand it. There are very few of them that will do that.

MORRIS: By and large, did you deal with it through a staff publicity information person, or yourself?

CORY: John Jervis. Grover McKean. There was a series of people that handled press. My administrative assistant when I was a legislator, Doug Jeffe, handled press for me. Grover McKean handled press for me. John Jervis handled press for me. Finally John Chen. I would meet with the press and answer questions and do things. But there will be a certain amount of naive views that I think that reporters . . . Now, it's their newspaper, their job, it's their story to write, so I didn't try to write many stories for people.

Reporters could be helpful on occasion, getting things out. It was difficult to find somebody, because their job, as soon as they get it, is to figure out how to make it entertaining, and their standards of press don't relate to truth.

MORRIS: And/or controversial?

CORY: Yes. They tend to have to deal in shorthand. They get very confused if people and issues don't break into liberal-conservative shorthand that you can communicate quickly to the people. If you have to really explain a whole lot, it's too much trouble. They can't get by their editors. They've only got so much space to put that story in.

MORRIS: I wanted to get back to something you mentioned a couple of times in the transcripts that are now sitting on your desk. I have the advantage of having had a look at them before you did. Several times, you mentioned that there are different views of how strong the executive branch should be. I wondered if your view about the strength of the executive branch changed when you yourself moved from the legislature into the executive branch?

CORY: I don't think so. I think that we have a very fine system of government. I think that we might be better served by a parliamentary form.

MORRIS: Where you can vote the executive up or down if you lose confidence in him?

CORY: No, the executive is part of the parliament. I am not so sure that the tripartate system is all that essential and that an official. . . . I tend to think that the people

are best served by the legislative power. The legislative power is diffuse enough.

The appointment of [former Congressman Daniel] Lungren,¹ the diversity, the way that was handled in terms of recent news gives, I think, an insight to its strength, which you cannot . . . You will not have the potential of abuse of power. . . . There will be more change, and there will be more inquiry, and more accountability of the civil service if the guy running the executive branch is really having to deal with a legislative district. I found a level of immunity from public criticism by having a statewide base.

MORRIS: You have more immunity from criticism as a statewide . . .

CORY: Yes.

MORRIS: That's interesting. Because the base is more diffuse?

CORY: Yes. A guy who gets done in on his taxes by an abusive tax collector: if you're in an assembly district, that vote matters. A state this size, one guy calls up and bitches. If you want to help him you can; if you don't want to help him, it doesn't make any difference.

MORRIS: That's interesting. Since the years that you and Mr. Unruh were in the legislature, some of the literature says that part of the effort to upgrade the legislature was to increase the power of the legislature vis-a-vis the . . .

CORY: Executive. I still think the legislature tends to be at a disadvantage. The people would be better served by a strong legislature. Having served more time in the executive branch than in the legislative.

MORRIS: How would you go about changing the present system?

CORY: I'm not going to change it. I mean, it's not that broken that it needs fixing. But if I were designing for a new country, or if for some reason they were going to change this one, I would encourage people to consider that option, but

1. Governor Deukmejian's choice for state treasurer in early 1988, following the death of Jesse Unruh. The assembly approved Lungren's nomination and the senate did not, sending the matter to the state supreme court.

it's not a cause I pursue. But just in terms of reflection, I think that in the executive branch there's an accountability to your colleagues.

MORRIS: In the legislature?

CORY: [Nods] The collegial effect has some advantages. Also maybe a weakness as well.

MORRIS: Well, again, that's been turned around in some people's thinking to the fact that legislators tend to stick together and cover each other's tracks, as it were.

CORY: Well, the greatest amount of that is going on is civil servants covering for their people. The civil service apparatus is far more secretive in that regard than anything the body politic has ever thought of. So, if you're going to deal with that issue, that's where you'd better start looking for it.

MORRIS: In general, how does the legislature and the constitutional officers, how do you deal with that problem?

CORY: I didn't solve it. [Laughter] I don't know.

MORRIS: If you're in government, you have to work with the civil servants, like the civil servants have to work with the elected troops. Is that real, or is it perceived? Looking at it from the outside, ignoring the fact that I'm an employee of the university, it's almost a management and labor kind of a tension.

CORY: If that's what it were, it would be tolerable. What it really is, is the question of power. The UAW [United Automobile Workers] really doesn't want to design automobiles. They want jobs.

MORRIS: But they'd like to run the company?

CORY: I don't think so. I mean, there are certain things that they want to run. That's an appropriate level of tension, arguing over those shades of gray. In the civil service apparatus, what's really going on is figuring out how to get the power away from the people and their elected representatives, so that the people who are in the appointed positions, the civil service apparatus, can run the government and do what is "correct." And I would suggest to you that it is the people's government, and that which is correct is that which they wish done.

The whole public administration syndrome post-World War II in this country and state of a correct way to run a city is unadulterated bullshit. There is a political way to run a city, and that is the mechanism by which the people express their desires. Most of the gnashing of teeth and the sand in the gears of government comes from the "professional administrators," the civil servant who runs the tax department, or the developmentally disabled who is convinced that he knows what's right and he's going to do it, and these other people are politically interfering with what is correct.

I just want to believe it is the people's government, and their collective wisdom in the long run. Because even if there were some absolute standard which you could apply-- which I don't believe that there is--if the folks don't believe in it, and you try to get them there too quick, you go back to Plato's allegory of the cave, if you will. If you go down into that cave to lead them back out, as is your responsibility once you have seen the light (if I recall the allegory correctly) if those people think that the way out's another way, and there's a fire in that cave, you get in the way, they're not going to listen to you. You're not going to get them out of that cave. That's what the elected representatives and the people. . . . that whole balance of power, that's the real issue. And it's the one that's out of kilter.

The unwillingness of the tax collecting apparatus to respond to the people gave us Prop. 13. We're having now no growth imposed for much the same reason, and they're treating the symptom incorrectly. The people really want roads so that they can get to and from their houses and works and recreational facilities, and they're striking out at trying to stop growth. That's not going to solve their problem, and they're going to get very frustrated. Somebody else gets to worry about that one. I quit.

MORRIS: Thank you very much.

CORY: Thank you.

[End Tape 7, Side A]