California State Archives
State Government Oral History Program

Oral History Interview

with

HON. WILLIAM RALPH CURRIE

Chief Financial Economist, Department of Finance, 1949 - 1968
Economic Research Specialist, Division of Budgets and Accounts, Department of Finance, 1936 - 1949

June 28, 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.
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INTERVIEW HISTORY

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Interview Time and Place:

June 28, 1988
Home of Mr. W.R. Currie, Sacramento, California
Session of two-and-a-half hours

Editing:

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

In August, a copy of the edited manuscript was sent to Mr. Currie for his approval. In early September, he returned it to the Regional Oral History Office with a few revisions that complete unfinished sentences, clarify several ambiguities, and make a few other changes that do not change the meaning in any material respect.

Papers:

Mr. Currie has not retained any papers from his career in the California Department of Finance. Extensive documents regarding the department are on file in the California State Archives in Sacramento.

Tapes and Interview Records:

The original tape recordings of the interview are in the university archives of the Bancroft Library, University of California at Berkeley. Records relating to the interview are at the Regional Oral History Office. Master tapes are deposited at the State Archives.
BIOGRAPHICAL SUMMARY

William Ralph Currie was born in North Dakota on November 5, 1904. Usually known as Ralph, he attended public school in North Dakota and the state of Washington. In 1927 he graduated from Whitman College, followed by a year at the Stanford University Graduate School of Business.

From 1929 to 1936 he conducted economic research studies for the state chamber of commerce in San Francisco. That year he joined the state Department of Finance as a member of the newly formed economic research unit. He retired in 1968 as the department's chief financial economist.

During those thirty-three years, Mr. Currie was instrumental in setting up the intricate economic accounts of which state revenue forecasting is based, following recently instituted national models. As a senior member of the department, he also created the population research unit and other economic studies, materials which are heavily used in preparation of the state's annual budget, governors' messages, and other official documents.

His work brought him in contact with governors from Frank Merriam through Ronald Reagan, and in working relationship to legislative financial committees.

In 1931 he married Ann Hurst, and in 1966 Amy May. He has one son, Brian Hurst Currie, born in 1935.
[Session 1, June 28, 1988]

[Begin Tape 1, Side A]

I ESTABLISHING STATE AND FEDERAL STATISTICAL FORECASTING

From the State Chamber of Commerce to the California Department of Finance, 1936

CURRIE: My first job out of school was in the economic research department of the state chamber of commerce. From that I came up to Sacramento in 1935 to cover the 1935 session of the legislature, just as sort of a "gofer," the person who reports on committee hearings, listens to legislative debates, and does the errands.

MORRIS: For the state chamber.

CURRIE: For the state chamber, yes.

MORRIS: And their headquarters then were where?

CURRIE: Were in San Francisco, in the Ferry Building. It was at that 1935 session that they passed so many of the new tax laws, and the Department of Finance decided they needed someone who had experience in economic research work to estimate future tax receipts from these new sources. They asked me if I was interested, and I was. I came in November 1936, so I had thirty-two years before I retired in November of 1968.

MORRIS: Oh, that's wonderful.

CURRIE: But then, twenty years since that. Thirty-two years of learning and twenty years of forgetting it. [Laughter] A good way to put it.
MORRIS: Was [later director, State Department of Finance] John Peirce then with the state chamber?

CURRIE: John Peirce came to the state chamber a little bit after I left. He was with the [California] Taxpayers Association at that time. I first met him when he was with the Taxpayers Association.

I knew Ellis Groff, then a principal budget analyst in the Department of Finance, very well, of course. We worked together for years until he left to become budget officer for the University [of California]. We set up the revenue estimating based on economic research. It was new, not only in California; it was new in other states. Other states about the same time were going to tax levies that were based on economic activity: the sales taxes and the income taxes and the corporate income taxes, all blossomed almost nationwide at nearly the same time. So we were starting at about the time the same type of work was being started in other states.

MORRIS: Was this in response to the federal legislation . . .

CURRIE: No, it was in response to the need. The taxes that came along at that time, the sales taxes and the income taxes, were in response almost to a universal state need for additional revenue in the Depression period. The states were abandoning the old property taxes and things of that nature and enacting new types of taxation.

MORRIS: Did the state chamber have a position one way or the other on whether or not the state should develop this new service or new revenue . . .

CURRIE: I think the state chamber was in favor of it. Yes, I'm sure they were in favor of tying the estimate of state revenues closer to economic affairs. I was extremely fortunate in working under Herb[ert F.] Ombsby, director of the research department at the state chamber. He was the one that got me started in economic research.
Was your background in economics?

My training was in economics at Whitman [College] and at the Stanford Graduate School of Business. I shudder to think I was such a neophyte—and how much patience he had to put up with me. But he did.

How do you spell his name?

Onnsby. Herbert F. Ormsby. O-R-M-S-B-Y.

That's an old California name.

Well, he came from San Diego. He came from Fallbrook, in San Diego County, and his people, I think, were an old California family. He was a Stanford graduate.

National Economic Accounts; Sales and Income Taxes

It was the need to find ways of estimating the revenue that would come out of the new tax levies that justified the setting up of a revenue estimating section in the state Department of Finance.

So that you could figure out what the revenue would be from the sales tax?

Yes. We just started from scratch, really. It was at about that same time that the national economic accounts were being developed. I can't at the moment recall the name of the man [Simon Kuznets] who took such a great lead in developing the national economic accounts. But such concepts as the personal income of the people, the gross national product, and the national income accounts were being developed. Data on these accounts in 1929 or '30 became available in the early thirties. We had these figures to use in estimating state revenue.

Applying their formulae to California?

Yes, the concepts of gross state products and personal income were developed for California. The state chamber had the
leadership there. Herb Ormsby was very much interested in developing the economic accounts for California. So that gave me a background for the type of information we needed to estimate the sales and income taxes. The sales tax started in 1933, then the income tax in 1935. The bank and corporation tax was a much older tax, but it acquired new features in 1935, and became one of the three major sources of general fund revenue. So we needed information on such things as income of California residents, and personal consumption expenditures, another item in the national income accounts. MORRIS: You're saying that those statistics had not been gathered prior to this.

CURRIE: They were being gathered by the federal government; they were just starting. The 1930 general census and the 1932 census of business developed a lot of new information, and it was just coming out in 1934 and '35. So we had a lot of new things to work with and new ways of developing the concept of the personal income of the people of California. Given that and how much they would spend, we had the basic data for our sale and income tax estimates.

MORRIS: Where the sales tax revenue came from.

CURRIE: The sales tax, yes.

MORRIS: How did you go about establishing patterns of personal consumption?

CURRIE: In the 1929 census of business they took a great deal of information on expenditures that had never been available before.

MORRIS: You could break out the California statistics from the national . . .

CURRIE: The census gave us a lot of information for both the nation as a whole and for the separate states. Of course, it had to be refined. The sales tax, as it was amended in 1935, exempted
food products: it applied only to retail sales, not to wholesale or other sales for resale. We had to have a great deal of information on the nature of the expenditures of the people. Fortunately, that 1929 census of business gave us a basis for estimating. The estimates were crude in the early years, very crude.

MORRIS: Based on statistical sampling rather than . . .
CURRIE: No. We didn't do any sampling until much later. Well, just based on, perhaps, a good deal of guessing; I don't know. But we did a pretty good job. The statistics of income were being published by the Federal Treasury Department based on income tax returns. We had a great deal of information on the income of people, how it was being derived and sources of income and amounts accruing to different income levels, what percentage was going to different income levels.

That, again tied with the census of business, gave us the basis for estimating the state tax base, both for the sales tax and for the income tax. We tabulated statistics of business income, business profits and that, from reports of the business firms as they were published in the Wall Street Journal, and it was a terribly crude sample. But it gave us a little bit to go on.

Corporate Profit Samples, 1940s

CURRIE: It wasn't until much later that we began asking the business firms themselves about their profits.
MORRIS: That would be about when that you started to do that?

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CURRIE: Oh, we were doing that in the... I hesitate to say.

MORRIS: After World War II?

CURRIE: Yes, mostly after World War II. We, the Department of Finance, got together a sample of the larger corporate firms in California, and our first sample was based on what was happening to the profits of the firm as a whole. When they were California firms, it was pretty good. Where there were Eastern firms, it really didn't give us a good indication of their business in California, their profits in California. A few years later, at our request, the staff of the Franchise Tax Board developed a much more refined and much more comprehensive sample, about six hundred or so firms. The Franchise Tax staff people were able to determine how much corporate income was taxable by California. Tax reports of the corporations were confidential; we couldn't see them, but the Franchise Tax people could. So we would give the Franchise Tax Board a list of the firms that we would like to have them sample, and they did it.

MORRIS: National firms that did business in... National firms that did business in... National firms that did business in...

CURRIE: Did business in California. California firms and national firms both. They undertook to sample. Where they were national firms and they had only national data, they allocated it to California based on California's share of the firm's total business in the previous year. The State Board of Equalization had a lot of data, too, on the sales tax as it matured. As it went along, they were getting information and publishing it quarterly and in annual reports. The amount of liquor consumed, beer and wine consumed, we had all of that to go on.

Population Estimates; Human Services Subventions

CURRIE: Our function was to take the data that were compiled by other organizations and process it so that the tax levies would
apply to those figures. And that's what we did. In the liquor
taxes, for example, we had per capita consumption. I'm trying
to remember who started the population estimates. I think it
was the Taxpayers Association who were out with the first
population estimates. Later, much later, in the early 1950s,
the Department of Finance had its own estimating population
research section. That came about as a result of a number of
things. We needed good data on school enrollments, for
example. And we needed good data on the ages of the people by
age brackets because what we called in those days the Aid to
Needy Aged [Old Age Security] was just developing, and that
was developing along with the whole [U.S.] Social Security
Act.

MORRIS: Those involved funds from Washington coming into California.
CURRIE: Yes. Financial support of the so-called categorical aid
programs [Aid to the Needy Aged, Aid to the Blind, and Aid to
Dependent Children] was shared by the federal government, the
state, and the counties, so for budget purposes it was
necessary to project estimates of the caseload under each
program, the average monthly payments, and the total dollars
that would be required from the state during the budget
period. I think it's interesting that the first state aid
grants to local governments were for orphan aid. They go way
back into the... I think it was about 1863 that the state
started to pay the counties a contribution for orphan aid.

MORRIS: Orphan children used to be a fairly major social problem.
CURRIE: Yes.
MORRIS: That was still true when you first joined the department in
the thirties?
CURRIE: I can't remember whether... I think the state spent more
money for the Aid to Needy Aged.
MORRIS: But the orphan program was still continuing.
Yes, it was an important program. I think the Aid to Aged led, children were second, and blind were third in financial importance insofar as the budget was concerned.

But the aid to orphan children was still continuing at that point, in the thirties.

Yes. The state had an interest in aid to children all the way back to the 1860s; it wasn't a new program such as the aged and the blind. I'm guessing, but in order of development, I think blind came in and then, I think, the aged aid.

And the Department of Finance's interest was in . . .

Estimating the amount of money which would be needed in the budget period.

The state and local match.

How much money the state would be required to put up for its share in financing those programs. Of course, in addition to these aid payments, the state provided school support. There were so many major changes. Under part of the [Assemblyman Harry B.] Riley-[Board of Equalization member Fred E.] Stewart plan, the state took over the counties' share of public school support.1 So the state had what it had historically given for support of schools plus what the counties had been giving. So we had to estimate how much the state would be required to subvene to counties for the social welfare programs and for education.

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1. Riley and Stewart were leaders in conferences between the legislature and the Board of Equalization which resulted in a constitutional amendment to return all public utility property to local tax rolls and to double state support of public schools. This measure, SCA 30, was adopted at a special election on June 27, 1933. The legislature also enacted the first retail sales tax to meet these revenue needs, which took effect on August 1, 1933. "Retail Sales Tax Act of 1933," 1933, Cal. Stats. Ch. 1020, p. 2599. In 1937, Riley was appointed state controller.
Riley-Stewart Sales Tax Act, 1933

MORRIS: Had you observed the passage of the Riley-Stewart Act for the state chamber? Was that something they were involved in?

CURRIE: No, I was not too aware of the implications of the Riley-Stewart plan, not until I came to work for the state. Of course, that was a very active period from 1929 to 1932, when the people voted on the Riley-Stewart bill; 1933, when they enacted the sales tax to help finance the additional expenditures the state had just assumed. That wasn't enough, so in 1935 they had enacted the personal income tax and then what we call the "ABC," alcoholic beverage control taxes, on liquor, beer and wine.¹ These all came in in 1935.

MORRIS: That was all during a Republican administration.

CURRIE: It was during Governor [Frank F.] Merriam's administration. Yes, it was. I don't think it came about by reason of any party politics but by reason of the fact that the state was growing at such a tremendous rate, doubling its population in ten years, between 1920 and 1930. And the property tax just wasn't able to provide the finances needed by local government.

Local and State Revenue Sources

MORRIS: The property tax was never a revenue available for purely state activities?

CURRIE: Long ago, yes. Away back it was. It was in 1910 that they came to the separation of sources. The state enacted a gross-

receipts tax on public utilities, and counties discontinued taxing the property of public utilities. So counties would be supported by what they called "nonoperative property," and the state would be supported by the gross-receipts tax on all of the public utilities, like gas and electricity and telephone and railroads. And actually the trucking companies were taxed on a gross-receipts basis by the state up until the Riley-Stewart plan. That was between 1910 and the mid-thirties.

The nonoperative property wasn't adequate for supporting local government, and the gross-receipts tax was not adequate for supporting state government; so the Riley-Stewart plan gave the counties back the public utilities. The public utilities became taxable by local governments and the state developed its new tax sources. So it was a period of great change so far as state and local public finance was concerned between 1930 and 1935. Yes, that was the period of... They were perfecting, they were improving or amending the tax laws in '37 and '39. Then in the war period, of course, the activity was so great that the state reduced its taxes.¹

MORRIS: The collection was so great?
CURRIE: Yes. The amount of revenue was so great that the state enacted about a 15 percent reduction in its three biggest levies: it cut the sales tax from 3 percent to 2.5 percent, and it gave a 15 percent credit against the tax liability under the bank and corporation tax, and it reduced the personal income tax by

increasing the exemptions and reducing the rates. That was in effect from 1943 to 1947.

II STATE FINANCE CONCERNS, 1936-1958

Director Arlin Stockburger; Economic Outlook Studies in the Merriam Administration

MORRIS: Could we go back and talk about some of the people you would have worked with? Did you by any chance have any personal contact with Governor Merriam?

CURRIE: Only one meeting. I only attended one meeting. Let's see, Governor Merriam was 1934 to 1938. We had Mr. [Arlin Earl] Stockburger as our director of Finance. No, no. I want to correct myself. I was in one meeting in Governor Merriam's office while I was with the state chamber. Then after I came to the Department of Finance, there were meetings with Governor Merriam. But I worked nowhere near as closely with Governor Merriam as with Governor [Earl] Warren, for example. There were meetings with Governor [Culbert L.] Olson when Mr. [John R.] Richards and George Killion were our directors.

MORRIS: Frank Merriam wouldn't have OK'd the addition of the economic forecasting unit and the bringing in of a lot of young crop like you?

CURRIE: I don't know. That was done before I joined the Department of Finance. I'm sure he must have approved it, but I think that it was [chief of Budgets and Accounts Division, Department of Finance] Fred [W.] Links and Ellis Groff [principal budget analyst] and Mr. Stockburger that actually justified the new position.

MORRIS: Which one of them was it that actually talked to you about joining the department?

CURRIE: Ellis Groff, mostly, and Fred Links.
MORRIS: Did they have some ideas about how this new unit should work, or did they just say . . .

CURRIE: No, I think we were all sort of striking in the dark. [Laughter] We were really starting from scratch. It was interesting that we were far ahead of nearly all other states on that sort of thing. I knew very well a man who had a job comparable to mine in New York, and they were pretty much with us, although they didn't develop the methods that we developed. But we were far ahead of . . . I remember in 1946, the Federation of State Tax Administrators set up an annual conference for the people in the state government who were charged with the responsibility for estimating revenue. From that time onward we had annual economic outlook meetings, to which the people from the states came and the tax administrators' federation brought in people from the federal government and other economists, and we discussed for two or three days the economic outlook for the nation and for the states. That was one of the big helps. But I started to say, there were less than fifteen of the states attending when they started those meetings.

MORRIS: That had economic forecasting capabilities.

CURRIE: Yes. We took a more active part than any other state, except perhaps New York.

MORRIS: Because of Mr. Stockburger's interest in developing new ideas?

CURRIE: Because of our need. The meetings started about ten years after Mr. Stockburger's time. I think they were all behind the development but we just simply needed all the help we could get in trying to find better ways of estimating the amount of revenue from the different sources.

MORRIS: What were Mr. Stockburger's particular interests or rules for how the department should function? What kind of a director of Finance was he?
CURRIE: He had a fine reputation as director. I didn't know him very well, since I was with Finance only the last two years of his term. I would say I knew him less than any of the other directors.

MORRIS: The department was already big enough so that somebody at your level wouldn't have too much contact with the department director?

CURRIE: Fred Links had the most direct contact with Mr. Stockburger. Ellis and I, we were in on a lot of meetings, but I simply didn't know Mr. Stockburger as well as I knew each of the other directors. He was really a fine man, but I didn't have the sense of personal relationship that I had with, say, [Director, Department of Finance James S.] Jimmy Dean. That was a pleasure. I should have paid for being allowed to work for them in that period. That was really fun to work for . . .

MORRIS: How about during Governor Olson's administration?

CURRIE: His first director of finance was Mr. Richards, and Mr. Richards just admitted that he was not a public finance person. He was . . .

MORRIS: More of a political appointee?

CURRIE: Yes. He was the head of Hill-Richards stock brokerage in Los Angeles. He knew the governor very well.

[End Tape 1, Side A]

[Begin Tape 1, Side B]

MORRIS: Mr. Richards was interested in the developments that [Inaudible]?

CURRIE: Yes. But he would be the first person to admit that he was taking staff advice, I'm pretty sure, on the technical aspects of both revenues and expenditures. He leaned very heavily on Fred Links.
Registered Warrants and Unemployment Relief

MORRIS: You also had to deal in those days with the economic depression. Did that have a notable impact on how the department operated or how the budget was put together?

CURRIE: That was the time we were accumulating a deficit at such a rapid rate and going into registered warrants, between '35 and '39. There was a lot beyond my . . .

MORRIS: Your scope?

CURRIE: Yes, my purview. Just simply a lot that I didn't. . . . I was too busy with the revenue. We did a pretty good job of estimating revenue in that period.

MORRIS: Even when it's down.

CURRIE: It was a period in which our estimates were good, but we . . . . I lost my train of thought there. The state just simply didn't have enough money, wasn't taking in enough money to. . . . Unemployment relief came into the state expenditure picture at that time, and we were spending $50 million or more in '39 and '40 on just unemployment relief. Believe it or not, $50 million was more than one-sixth of the total budget at that time. So the tax system wasn't producing enough, and that's why we were running behind all the time. But as soon as we started helping England meet its war needs and economic activity increased so tremendously in California, that was the time that we built the huge surplus.

MORRIS: That showed up in your statistical work?

CURRIE: We didn't anticipate the rapid recovery, I have to admit. But it showed up in the revenue receipts because we overran our estimates a great deal between '39 and '41. The state was operating on a biennial basis at that time, with a two-year budget. And then Governor Warren was elected in '40 and took office in '41.

MORRIS: Nineteen forty-two. He was attorney general from 1939.
Nineteen forty-two, yes. I forget when we started. . . . Yes, I'm sorry I mistook myself.

He definitely was on the state scene in 1940.

Yes. I was trying to remember when unemployment relief became such an important part of the state's. . . . Nineteen thirty-nine. It was after '39 that we began to repay the registered warrants at such a rapid rate. And then in '41. . . . I'm sure they were all repaid by '42.

Postwar Reserves

Then, it was in the '43 session that Governor Warren recommended the tax reduction, and we still received excess revenue. In 1947 the state had better than half-a-billion dollars in reserves and in surplus.

That was what Warren called the Rainy Day Fund, wasn't it?

Oh, the state was putting money into the Rainy Day Fund, putting money into every little nook and cranny that could be justified, because the administration wanted to save this excess money to meet the postwar needs.

Did the legislature have some concerns about all that money that they couldn't get their hands on to spend?

No, the legislature approved the postwar unemployment reserve and the other similar funds.

Did they?

And the legislature approved the Postwar Unemployment and Construction Fund.¹ The postwar unemployment reserve was for state construction in the postwar period, and the Postwar

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Unemployment and Construction Fund was for local expenditures. And the state had money in special bond redemption reserves. The first was to retire the old highway bonds that were still outstanding, and then they sent up a bond sinking fund to repay all bond debt. How to use the money productively was a problem in that period 1945 to '47. Then in '47, of course, they began spending it for the postwar construction.

MORRIS: I had another question about the unemployment relief a few years earlier. Was that the State Relief Administration program? Do you remember that?

CURRIE: Between '35 and . . .

MORRIS: Yes.

CURRIE: Yes, it was. I can't tell you now who was the administrator.

MORRIS: That became quite controversial. At the time there were some suggestions that there were maybe very left-wing people who were running it and that they were more politically inclined.

CURRIE: Oh, yes. I can't remember the names, but I remember it was a . . .

MORRIS: There was a university professor. I doubt if he was at U.C. [University of California], but he was an academic who was head of it. My recollection is the head of that changed rapidly.

CURRIE: Yes, it did. Oh, what's the man's name? Got a reputation of being very far left nationally; he later emerged as quite a liberal, quite a far left. [Dewey Anderson]

MORRIS: He was a theoretical type rather than an administrator.

CURRIE: Yes.

MORRIS: I should have looked his name up. I have it in my files. Did that cause some concerns within the Department of Finance?

CURRIE: I really can't answer that. My work was mostly on the revenue side, not on the expenditure side.
Local Assistance Programs in the 1930s

MORRIS: You got to just keep your work going in your own separate office and didn't have to worry about these larger . . .

CURRIE: I had the responsibility for the revenue and, in the prewar and war years, for the estimate of the requirements for state expenditures for support of public schools and for the social welfare programs. That was between about '35 and '45.

MORRIS: You kept track of the expenditures of those departments?

CURRIE: Those were what we called Assistance to Local Governments and Local Assistance Programs, and they were just for public schools—elementary, high school, and junior college—and for the three social welfare programs.

MORRIS: The needy children, the blind, and the aged.

CURRIE: Yes. And I worked with the Department of Education on those estimates and with the Department of Social Welfare on the social welfare programs, the estimates and expenditures.

[Department of Social Welfare Administrative Assistant] Verne [E.] Gleason and I used to work over the programs, the number of recipients, the number that there would be, and it was very close cooperation on developing those things.

MORRIS: In other words, he put in the information about what the programs needed in the way of funds?

CURRIE: No. The amount of the expenditures was specified by law pretty much. The statutes specified how much was to be paid per case for the old people and so much for the blind and so much for the families with dependent children, so that the amount of expenditures per unit was fixed. But the caseload—the number of people who would receive aid payments—was the thing we had to keep estimating all the time.

MORRIS: That's what you were working on.

CURRIE: That's what we were working on. The same way with schools. The state would put up so much for each and every unit of average
daily attendance, but the problem was to estimate what the average daily attendance would be. I didn't continue that work too long. I continued it through the war period because we were very short-handed in the war period.

Wartime Staff Changes; Budget Preparation

MORRIS: I can believe it. You didn't have to deal with whether or not you were going to be drafted or whether or not you should enlist?

CURRIE: No, I was beyond the drafting age. Ellis Groff and I, under Fred Links, of course, had the primary responsibility for putting together both the revenues and the expenditures. At that time our unit was called the Division of Budgets and Accounts, and the staff was divided between those who prepared the budget and those who audited the various state offices and agencies. The auditor staff was far greater than the budget staff.

MORRIS: These are Department of Finance audit staff?

CURRIE: Yes. And in preparing the budget, from about October to January many of the auditors would come in from the field and help put the budget together. That was during the war period, because we were just so short-handed.

MORRIS: A number of people did actually leave the Department of Finance to go into military service.

CURRIE: Oh, yes. We lost—I have to guess. Of the little core group, we lost about six or eight. Actually, Ellis Groff and I were about the only ones left in that section, under Fred Links, of course. And we worked Saturdays and Sundays and holidays. It was interesting. They decided after the war that they were going to pay off all this overtime; so everybody was supposed to put in a claim for overtime. They weren't going to pay us; they were going to have us take time off.

MORRIS: Compensatory time.
CURRIE: Yes, compensating time off. And we would have taken off November 1 and come back to work about the fifteenth of May.

MORRIS: Did you get to do that?

CURRIE: No, we didn't. They changed their minds. They offered us I don't know how much. They paid a portion of it.

MORRIS: So much on the hour. Now, was Mr. Groff your boss or were you ... 

CURRIE: Yes. In our organization structure, he would be. But we were very close. We liked each other very much and we got along very well. So there was no friction there. It wasn't until after Ellis left that there was an organizational distinction between the revenue and the expenditure budget staffs. Ellis left to join the university [in June 1949].

MORRIS: To do a similar job for them?

CURRIE: Yes, to do their budget work. He was their budget officer. It wasn't until after he left that I became head of the revenue estimating section. And actually, it was at that time that it was set up. ... They set up what they called economic analysts, and it was under Mr. Dean that I got the title of chief financial economic analyst.

MORRIS: So that was a personnel category?

CURRIE: Yes, that was a personnel category.

MORRIS: They set it up as a new position.

CURRIE: As a section in the budget division.

MORRIS: Now, had Mr. Dean been in the Department of Finance when Earl Warren was elected governor?

CURRIE: No. He was city manager for Sacramento, I remember. Earl Warren appointed ... 

MORRIS: He brought up a guy from Oakland. [Director, Department of Finance, John Hassler]

CURRIE: Yes, the city manager of Oakland, and Jimmy Dean was the deputy. I'll think of that man's name before very long.
MORRIS: I know who you're speaking of. It begins with an "H."
CURRIE: Yes.
MORRIS: I will supply these names when I send you the transcript.
CURRIE: That'll be fine. I could think of it, I'm sure.
MORRIS: But it's a lot of names.
CURRIE: He stayed about a year, maybe a little over a year, and then Mr. Dean was appointed director of Finance.
MORRIS: What was there about city manager that seemed to be appropriate for being Department of Finance director?
CURRIE: Well, of course, they had the final responsibility for local finances. I don't know; I think that it was just . . . . Governor Warren was searching for the people he thought would do best in that job.
MORRIS: But Sacramento and Oakland, although important cities, are not thinking in a statewide basis.
CURRIE: No. I don't know; I remember that Jimmy Dean was sort of anxious to leave his city manager job here. He was tired of it.
MORRIS: I can understand, as a career manager. Had you known him?
CURRIE: No, not before he came to work as director of the Department of Finance. I don't know whether I should say this or not, but he was the director of finance that it was most fun to work for.
MORRIS: You mentioned that and I'd like to hear some more about that.
CURRIE: It was just that we had a wonderful spirit in the Department of Finance in those years. There wasn't anybody that was . . . . Well, there simply wasn't any office politics going on at all. There was no backbiting. It was just a good group to work in.

**Governor Warren's Budget Messages**

MORRIS: Did this reflect a difference in the style between Governor Olson and Governor Warren?
I don't think I could say that. It was a pleasure to work for Governor Warren. I knew him quite well.

He took a real interest in the forecasting?

He took a real interest in the budget. Under our working schedule, the revenue estimates were done first, always, because we had to know how much revenue we had in prospect. So our work would have to be finished up by, say, the first of December or the fifteenth of December. And the expenditure people were still working on their side of the budget. I sort of—I don't know how it happened—fell into writing, first, an analysis of the expenditure program which was being proposed, and then a draft for the governor's budget message. And I worked with Verne Scoggins—he was Governor Warren's press secretary—very closely on the budget message. I always had a bet with Verne. He reworked what I submitted, and if I could get five words in the same order as I wrote them originally, I would win the bet. [Laughter] Finally, I think, in the very late years, I did manage to get in some ...

You won the bet occasionally.

I won the bet. Verne is living in the Monterey area, I think.

Right. I haven't heard from him in some years.\(^1\)

He's a fine man.

He had very good control of what was going on in the governor's office.

Yes. I remember one time. ... What I would write, Verne would rewrite. What Verne would rewrite, the governor would rewrite again. There was always a budget message session, or two or three.

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MORRIS: With the three of you.

CURRIE: Often more than three of us. Yes, sometimes just the three of us. The time that stands out in my memory—we were working in the governor's office, that big office that he had in the old building, with the large desk with the checkerboard top. The governor was working over the budget message, and it was getting late. I think it was 11:30 or later than that. He wanted some information and we didn't have it. He said [Pounds table], "If you can't give me the information I want, we won't write the budget message tonight." Verne said, when we were going out the door, "Half an hour ago, I could have told you that was going to happen." [Laughter] The governor wanted an excuse to discontinue.

MORRIS: He was getting tired, too.

CURRIE: I don't mean to imply anything against Governor Warren on that, but it was interesting. There were a lot at that meeting. Mr. Dean, I can remember; Ellis Groff; Verne Scooggins. And there were two or three others. I remember going out, there were quite a group of us.

Health Insurance Proposals

MORRIS: Was it a particularly touchy year or something like that, or there was a specially important . . .

CURRIE: No; I don't recall. It must have been about in '47 or '48. Another interesting thing about that was almost the same situation. I'm not sure that it wasn't maybe the same year. We were working on the budget message, a whole group of us. This was getting quite late, and we had finished the budget message and we were just sitting around talking for a few minutes. We all got up to leave. We all were actually leaving that big room in the governor's office, and he called us back and put out his idea for his health insurance program.

MORRIS: This would be '44 or '45.
CURRIE: Was it then?

MORRIS: The bill was first introduced in '45.¹

CURRIE: Was it the '45 session or the '47 session that he . . .

MORRIS: He tried it twice.

CURRIE: He tried it twice, and it was the '47 session that he was pretty badly crucified over it, wasn't it?² He was so far ahead of his time that it just didn't catch on.

MORRIS: How did he put the idea to you?

CURRIE: He just called us all back. I don't think he asked our opinion. He just wanted an audience to outline what he was thinking about and he told us of this idea. I think he told us. . . . It's a little hard to remember. He told us of an experience when he was down in Bakersfield, in which a young man was unable to go to the university because of the expenses incurred by illness in his family. He said that just shouldn't happen. If there were a catastrophic illness in the family, it shouldn't result in such a sacrifice as that. Of course, this just came out of the blue as far as the rest of us were concerned. We had no idea.

MORRIS: Was he asking, maybe, for some input as to what kind of implication it would have?

CURRIE: I think he was just sort of playing it off a sounding board, see what the reaction would be. I think that's what it was.

MORRIS: The Department of Finance is thought of as pretty hard-nosed. What did the people at the meeting think of the idea, do you remember?

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1. AB 2201.
2. SB 788, reintroduced in 1949 as SB 157.
CURRIE: I know that I was in favor of it; I don't know about the others. I don't think there was any. I don't think even Mr. Dean raised any financial objection to it.

MORRIS: When an idea like that was being turned over in the governor's mind, would he ask for some information from the Department of Finance as to what it might cost or what the financial aspects might be?

CURRIE: No. I'm guessing somewhat, but I don't think he did. I think he got that sort of information elsewhere. You remember, he had a doctor come out from the East to act as his advisor [Nathan Sinai].

MORRIS: Yes, somebody from the University of Michigan [School of Public Health].

CURRIE: I think it was that. Wasn't that to be financed by a special tax, payroll tax of some sort?

MORRIS: It was to be jointly funded. Employers were supposed to put some money into it, and I think it was a match.

CURRIE: Yes. I don't recall anyone in our group raising any state financial problem about it. I just have no recollection of any, and I'm quite sure that at our staff level we didn't do anything on estimating the cost of that. I think that was done outside; that was done elsewhere.

MORRIS: It was [Dr.] Nathan Sinai.

CURRIE: It wasn't proposed as part of the budget, you remember. It was a special bill, so that would give it six months' or so study before you would really have to have the answers to things like that. I think it was done . . .

MORRIS: OK, so a special bill doesn't take effect, usually, for a period of time.

CURRIE: Yes. Unless it has an emergency [urgency] clause. If it's an emergency, it can take effect immediately. But, you know, the constitution provides that expenditure bills can't be passed ahead of the budget; the budget must be passed first.
MORRIS: And then during that period the Department of Finance would do a revenue . . .

CURRIE: We didn't. No, I'm sure we didn't do it. I'm sure it was done elsewhere. Of course, that's one of the things they were crucifying him on, that it would cost so much. I'm quite sure that was done by the adviser. If he had any staff, I don't know.

MORRIS: His name was Nathan Sinai and he was from the University of Michigan, which had a school of public health that presumably developed this kind of proposal. I know they have a reputation for having statistical information to support their ideas. But I wonder whether a theoretical plan like that made sense to the Department of Finance or whether you would expect to work it over to see whether it applied in California? Not in this case.

CURRIE: I think the Department of Finance would be about the first to admit that they didn't have competence in that field, and they would go elsewhere for their estimates, too.

Consultant Studies

MORRIS: Did you often go outside the department for . . .

CURRIE: No. We went outside the department to other state departments for help in estimating, but we didn't. . . . I don't think there was any provision for the Department of Finance to contract with consultants. I don't believe there's any legal provision. I think we had to do it. Sometimes there would be a special appropriation to do some special thing like that but that wasn't a part of our departmental budget.

MORRIS: What kinds of things would you get a special appropriation for?

CURRIE: Gee, now you've got me. I simply can't tell you. I can't give you an example.

MORRIS: I was thinking about things . . .
Excuse me. Later, in the sixties—that would probably be pretty much under [Governor Edmund G.] Pat Brown [Sr.].—there were quite a lot of special contracts. I remember one, they wanted to appropriate $300,000 to prepare an economic model of the state of California. It never got anywhere, but that was one that I can remember. It was to be prepared by a group from the university.

To prepare this.

To do the research.

Reconstruction and Reemployment Commission; Population Research

I'd like to come back to that later on, because it's an interesting question. In the forties there was a Reconstruction and Reemployment Commission.

Yes.

Now, did that operate out of your department?

No, it was entirely separate. That was a commission whose members were appointed by Governor Warren, headed by Colonel [Alexander R.] Heron. Colonel Heron was the first director of Finance. Not while I was there; he was before my time. Van Buren Stanbery was head of the staff for the Reconstruction- Reemployment Commission. John Marshall was on the staff; there were several others. But that wasn't in the Department of Finance. That was quite separate.

Wasn't that a development of statistical information as well as ...?

Yes, particularly aimed at postwar needs. They made a dozen or more special studies, and they were very much interested in population. It was through them, through their work, that the state population research section really got started.
[Begin Tape 2, Side A]

MORRIS: Mr. Stanbery was interested in the population research section?

CURRIE: Yes. One of the last things that commission did was get population estimating by a state agency, and it just happened that the Department of Finance was in the most central position. The question was, would it be done by the university or.... I can't remember the one other agency. Or Finance. And it was agreed that it would be Finance. We got Carl Frisen to head the unit up. It's now very important because its work is now written into the laws of several subventions. The money to be paid by the state to local agencies based on the estimates of the population section. That's actually part of the law. I can't give you the exact citation now, but their work has been extremely valuable, extremely well done, too, and well accepted. So we don't have any other agency estimating population for the state.

MORRIS: Was it a matter of legislation to set up the population unit in the first place?

CURRIE: No, I think it was just a provision in the budget for it. But as I say, there are now statues which involve population estimating.

MORRIS: Do you remember what the rationale was for—why it was thought that the university would be a place to put this unit?

CURRIE: I think they had a section that was interested in it. I just don't remember. But I remember the discussion where it should be located, and they thought it should be located in a state government unit rather than in the university.

MORRIS: Seems like it would be a plum, that it would be a nifty thing to have that kind of an operation going, either in the Department of Finance or at a university.
CURRIE: Yes. Some of the items of assistance to local government are based upon population, so the cities and the counties, too, became very interested in their population. The higher their population total, the more money they would get from the state. That was another reason for having an agency connected with the state budget estimating the population—so it would be acceptable to the state and to the local units. There has been some controversy. Occasionally local agencies would claim they had a lot more population than they were given credit for, and they could take a census. The law provided that they could take a census if they were dissatisfied with the state estimate.

MORRIS: And, in effect, challenge the population unit's . . .

CURRIE: Yes. Many of them have taken their own census because if they take a census, the law allows the apportionment of state funds to be done on the basis of that census, if the census total is larger than the state's estimate.

MORRIS: If it finds that it's justified.

CURRIE: Yes.

MORRIS: To what extent does the population unit use federal census data?

CURRIE: The federal decennial census totals are used as benchmarks. That is, the state estimates for city and county populations are adjusted to the federal decennial figures when they become available. But the estimates for the intervening years of the decade are prepared by the Department of Finance.

MORRIS: Are there differences in opinion about counting the population?

CURRIE: Yes. In fact, I remember once getting a request from [U.S.] Senator [Thomas H.] Kuchel's office asking the Department of Finance to justify its estimate because Senator Kuchel would get more money from the federal government for support of his office [Laughter] if they would go up one step. We sent them
the justification. I know they got the basis of our estimate, but I don't know whether they got the increase.

MORRIS: That wouldn't have been a request from [Merrell F.] "Pop" Small?

CURRIE: Exactly.

MORRIS: When he was Kuchel's assistant. He's now living . . .

CURRIE: In Santa Rosa. He's a fine, fine. . . . Have you ever interviewed him?

MORRIS: Oh, indeed.¹

CURRIE: Have you? He can tell you stories about state politics and bits of state history. And Verne Gleason also can tell the most interesting incidents about capitol politics. If you ever have any question about social welfare, be sure you interview Verne Gleason.²

MORRIS: Did he really involve himself in the social welfare section of the budget?

CURRIE: Verne?

MORRIS: Yes.

CURRIE: He was one of the top men for as long as I was in state government, and five or six years longer in the Department of Social Welfare. I think he was . . .

MORRIS: Verne Gleason?

CURRIE: Verne Gleason. Do you know Verne?

MORRIS: Yes. I don't know him personally, but our office has recently completed work on an interview with him.

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² Verne E. Gleason, forthcoming from California State Archives State Government Oral History Program.
CURRIE: With Verne. That's good. He's as good as "Pop" Small at
telling the incidents and giving you examples and telling you
the politics and a lot of things that went on that most people
don't know.

MORRIS: How did you go about setting up the population unit? Sounds
like this was something that started out in your section.

CURRIE: Yes, it did; it started in our unit. Van Stanbery somehow knew

MORRIS: Carl Frisen?

CURRIE: Carl Frisen, yes. He knew of Carl Frisen and knew Carl had
done work at Colorado College. So we got in touch with Carl.
We also had applications from another man who had been in the
[U.S.] Census Bureau and a third person, and settled on Carl.
He organized the new population unit. He did all of that work.
He was alone for a while, then he got an assistant. Now, I
think, there must be half a dozen people in the population
section. Carl, of course, went with the United Nations and is
in Thailand, or was the last I heard.

MORRIS: To do population forecasting?

CURRIE: He was doing population work for the United Nations on the

MORRIS: With the population forecasting, did you go out to businesses
and local government to get information from them about what
the changes in population might be?

CURRIE: No. Carl's method was based on census material, vital
statistics, and school enrollments, adjusting the different
age brackets for births and deaths—the effect of births and
deaths on each age bracket—and he followed the brackets along
from one census date to another. He used school enrollments,
both public and private, as an indication of migration and as a check on the total population of the locality.

MORRIS: Actual experiences.
CURRIE: Yes, actual enrollments. I can't describe his method in detail. It was very involved, very meticulously done, and stood up very well. But I can't tell more about that because he had the whole responsibility for that. It was just in our section, that's all.

Economic Forecasting

MORRIS: When did you start to add an economic forecasting kind of a function?
CURRIE: Well, we did that way . . .
MORRIS: Is that different from the revenue estimating?
CURRIE: We did that as a part of our revenue forecasting. That became the basis of our revenue estimates. There was a period in which the Department of Finance issued a summary of business conditions for the state as a whole every quarter.

That's another thing I omitted telling you. Somewhere, perhaps in the mid-forties, we organized a group of advisors. They didn't have any official standing—completely informal. They didn't get any pay. In fact, they paid their own expenses to come to our meetings. We had a man from Bank of America, Wells Fargo, Security First National, the state Chamber of Commerce, PG&E [Pacific Gas and Electric Co.], Southern California Edison, the telephone company, Stanford University, University of California [Berkeley]—the economics or business departments—labor organizations and the like. We had about fifteen or twenty in this advisory panel.

You remember just a little while ago I told you about the economic outlook conference held by the Federation of Tax Administrators, first in Chicago, then around the different states. I would go to that, or [Department of Finance
economist Richard] Dick Lazansky and I would go. It was held in the fall each year—late October or early November. We would write up our own ideas of the economic outlook before each meeting.

MORRIS: For California?
CURRIE: For the nation, and for California—but for the nation primarily, because we were going to a national meeting. After the two- or three-day discussion with the national economic experts, we prepared a memorandum on the national and state business outlook for the coming year for discussion with the local group of advisors, and we sent that out about ten days in advance of the meeting with them.

Then at the meeting, each participant would take over the detailed discussion of a particular subject. There would be a man who agreed to discuss corporate income, for example, a man who agreed to discuss personal consumption expenditures, and so on. Then there would be a discussion of the subject by the group as a whole. Our memorandum went to them first. Then they would take that and discuss it. So we had the advantage of their advice. Then, after we came back from that meeting, we wrote another summary which incorporated the advice we had derived from that conference, changes that were necessary by reason of that meeting. This summary was sent to all the participants on our panel and became the basis for our revenue estimating. It also appeared in the budget document.

MORRIS: Does that include what I’ve heard spoken of as budget assumptions?
CURRIE: Yes.
MORRIS: In terms of . . .
CURRIE: Of economic affairs, yes.
MORRIS: What conditions are likely to affect either revenues or expenditures?
Yes. This statement on economic outlook and the estimated revenue from each tax source is still contained in the state budget summary.

[Discussion deleted]

When it came time to meet with the governor and do the discussions about what the year's budget was going to involve, did a governor ever challenge some of those assumptions or say, "Politically, we're going to have to downplay this kind of a trend," or "I'd like to emphasize that kind of a trend in developing a budget?"

Not in my time, never once. It was always accepted. In fact, only one of our revenue estimates was challenged. That was by Governor Warren, and he was right.

Really? What was that?

We had a small budget deficit. I can remember this as though it were yesterday. He just took out his pen and changed the estimate of income from the inheritance tax. The one that was most logical. We didn't know how many people were going to die or what their estates would be. We had some information on pending inheritance tax assessments from the state controller's office but not any great amount of detail.

Because the controller is in charge of the inheritance tax estimate?

Yes, and they used to get advance notices of the big estates pending in probate court; and we had that to go on. But I remember Governor Warren just changed that enough so it gave them a small surplus instead of deficit. As a matter of fact, it was in that period where we hit tremendous prosperity. It was in the first of the postwar years and we had expected a decline. Everybody expected a postwar adjustment, a decline in economic activity right after the war ended.
Transition to a Peacetime Economy, 1945-1946

MORRIS: Because that had been the experience after World War I?
CURRIE: Because of the transition from a war economy to a peacetime, consumer economy. Many short-term dislocations in economic activity were anticipated, but they didn't occur. The anticipated postwar unemployment did not materialize. Unemployment relief faded out of the picture and never came back. We made that transition from a war economy to a peace economy without any difficulty; so we got far more money than expected.

We used to have a table that compared our estimates with the actual, and we had some horrible experiences. In the initial postwar period we missed our estimates by 50 percent, practically.

[Discussion deleted]

John Peirce as Director of Finance, 1953-1958

MORRIS: How about when Goodwin [J.] Knight became governor? Were there any special things that he was interested in how the economic forecasting and revenue projections were done?
CURRIE: You know John Peirce was his director of Finance, and Mr. Peirce was an authority in that field himself.
MORRIS: Were you surprised when he came in as director of Finance?
CURRIE: That was an interesting personal experience. It was 1953, and my wife [Amy Hurst Currie] and I had taken our first big trip. We had driven across the continent and when we arrived at the University of Maine, where I knew one of the professors, there was a letter from Thelma Greenwalt, secretary to all the directors of Finance from 1933 to 1958, waiting to tell us that John Peirce was the new director. Well, all my worries about being gone for two months while the new director came in
office disappeared because I knew John Peirce very well and he knew me very well.

John Peirce was always capable; he didn't need any back-up. So I don't think I was ever in a meeting with Governor Goodwin Knight.

III LEGISLATIVE REVENUE AND TAXATION COMMITTEES

Analyses of Industry Bills

MORRIS: Did you get asked to go and make presentations to the legislature or back up the . . .

CURRIE: Yes, on the budget. We had to justify our revenue estimates in the budget. But there was another responsibility of ours: we had to make analyses of the bills that affected revenue and make a statement to the committees either in support or in opposition—usually in opposition.

MORRIS: Why do you say "usually in opposition"?

CURRIE: Because there were always bills sponsored by private industries to get something for themselves. For example, the candy people always wanted to exempt candy from the sales tax. That bill would be in, you could just count on it, every session of the legislature. It would always be necessary to make a presentation to the Revenue and Taxation Committees in the senate or the assembly in opposition to the proposal, estimating how much revenue would be involved and telling why it should not be approved. That wasn't one of the hard ones to defeat.

In the same way, the exception of prescription drugs was proposed by the governor, so we appeared in support of that bill. We always were asked for an estimate of how much revenue would be involved. The exemption of bunker fuel for ships was another perennial. Exemption of fertilizers for use on land which was used to grow food was another one. The sponsors
contended that because food was tax exempt, fertilizers used to grow food should be exempt also.

There were always special interest bills and they involved a loss of revenue. They usually started a new type of exemption, and if it got started, another would follow and another would follow that. So we were almost always in opposition to bills. Of course, when we had a bill like Governor [Ronald W.] Reagan's $1 billion tax bill, we were in support of that before committees. That's what we wrote these statements for. Remember, you sent me...1

MORRIS: Right. This is related to SB 556 in 1967.2
CURRIE: We prepared this material and appeared before the committee in support of it. In this instance, the bill was presented by the author, and we prepared material for use in his presentation.

MORRIS: That being the governor's bill.
CURRIE: Yes.
MORRIS: Introduced by [then State Senator] George Deukmejian.
CURRIE: Yes.
MORRIS: Would you confer with Mr. Deukmejian?
CURRIE: Yes, indeed. Always. We prepared this [statement regarding SB 556] for that sort of a thing. While the bill was under discussion, we usually sat with the author of the bill to answer technical questions that he wouldn't be expected to answer: "If you did this, how much would it cost?" and things like that. So we were always a resource for the author.

MORRIS: Listening to you describe that, it reminded me of a big flap about an increase in the gasoline tax that Earl Warren wanted to pass. This would be '48. Would you recall that?

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2. 1967, Cal. Stats., Ch. 963.
CURRIE: That was for highways?

MORRIS: Right. As usual, the revenue was to go to an expanded highway program.

CURRIE: I can't remember the details about it, but I remember how ridiculous it was for the oil people to oppose a bill which would, in essence, expand their market, expand their sales of gasoline for the cars that would run on these highways. ¹ It was a curious reaction. But as I recall, the bill was not approved.

MORRIS: It was finally a compromise. I think the agreement was for less than the amount of increase that Warren asked for originally.

CURRIE: I don't remember that. Usually, if it's a special fund bill, such as one affecting the highway money, the agency involved would take a primary position. The Department of Finance was pretty much concerned with the general fund.

MORRIS: So bills relating to the highway fund, it would be people from the Highway Commission and the [Department of Public Works] Highway Division?

CURRIE: Yes, they would take a primary responsibility in a thing of that nature. But I remember that now. I wasn't too close to it.

Assemblyman Tom MacBride

MORRIS: Were there any particular people in the legislature who were helpful to work with or, on the other hand, were out looking for ways to challenge the Department of Finance?

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CURRIE: Both sides, time and time again.


CURRIE: I knew them both, but they were on the Senate Finance Committee, which was interested in the expenditure side of the budget. The chairman of the Senate Committee on Revenue and Taxation would be interested in it on the revenue side of the budget. Except for defending our revenue estimates, we in the financial research section didn't have too much to do with either Senate Finance or Assembly Ways and Means committees. But we worked closely with the [Assembly] Revenue and Tax[ation Committee], and there were wonderful experiences. Working with [Assemblyman Thomas A.] Tom MacBride, Judge MacBride, was just an experience that I'll never forget.

MORRIS: He was particularly interested in how the budget was put together?

CURRIE: He was particularly interested in the tax bills. He started a procedure that was continued after him. One representative of the Franchise Tax Board, one representative of the Board of Equalization, usually one from the controller's office, always one from the legislative analyst's office, and a representative of the Department of Finance, would meet in Judge MacBride's office—when he was an assemblyman—the day before his Revenue and Taxation Committee meeting. And we'd go over all of the bills that were scheduled for discussion at his next committee meeting, so that he, as chairman of the committee, was aware of what the departments felt about the subjects to be discussed. And it wasn't always opposition; it was very often in support. Some of the agencies would be in support.

[End Tape 2, Side A]
CURRIE: ... that procedure was continued under other chairmen of Revenue and Taxation. Of course, I left in 1968, so I don't know what went on after that.

Assembly Committee Staff

MORRIS: Well, there were some pretty major changes up to that point.

CURRIE: Another thing that has occurred: the legislators themselves acquired much greater staff. Judge Tom MacBride didn't have any staff. He had a secretary but he didn't have any staff, so he didn't have anyone in a position to go over the bills in advance and to brief him on what they contained.

MORRIS: So, in effect, he got the briefing from this group that you're talking about?

CURRIE: Everybody was involved. You couldn't go in and just sell your side of it because you'd be challenged by somebody else. You couldn't lobby for the bill; you had to deal in facts. That was a good development that I think has now fallen by the wayside because they now have their own staff, each committee. The Assembly Committee on Revenue and Taxation had two staff people in the last of the years I was there.

MORRIS: Did they take over this function of meeting with the Department of Finance?

CURRIE: No, I don't think so. I don't think there are any regular meetings. I'm guessing because I've been out. We used to have to get up before the committee and oppose a bill, which was difficult because it put you under a lot more pressure than if you were sitting at a table with a group of other so-called experts and were just asked for your recommendation or asked what you thought.

MORRIS: This is when the legislative staff did the briefing of the ...
Before the committees, Revenue and Taxation, both the assembly and senate committees. Another thing, somewhere along in the work, we were chastised for opposing a bill of a good friend of the administration. I can't even remember the personalities involved but I remember always after that we had to file a letter from the director of Finance with the chairman of the committee, if we wanted to oppose a bill.

Not with the governor, with the chairman of the committee?

On a bill that's under consideration by a committee. It had to be filed the day before the committee meeting. So as a result, the opposition got all of our arguments a day in advance of the committee meeting and were well positioned to give their answer to our opposition. And that always occurred.

It's sort of like disclosure in the courts, isn't it?

Yes, it was.

Would that have been during the Reagan administration?

No, I don't think so. It was before that.

Because I seem to recall coming across some material that the Reagan administration wanted departments to file messages with the governor's office if they were going to oppose any legislation.

I can't imagine a governor's department that was going to oppose a governor's bill not telling the governor in advance. [Laughter]

Right. I guess sometimes communication breaks down.

That was always another hurdle we had to get over—filing this letter in advance and then, in effect, giving away our story early. But our position usually was so solid with the committee that if the Department of Finance opposed it, it was an indication that the governor's office was opposed to it, and very often the bill would be dropped.

But you asked a while ago if there were people who criticized Finance and the people that supported our position,
and I cited Tom MacBride. But there were others. We usually had a friendly chairman of the Revenue and Taxation Committee. And at the same time, there was usually somebody down on the floor of the assembly or the senate who didn't hesitate to criticize Finance for their position on bills, particularly the authors of the bills. And we'd get opposition in committees quite often. There was a man, an assemblyman from Los Angeles, that I think used to delight in raking us over the coals. Because he didn't like your estimates or he wanted to . . .

MORRIS: No. As I recall, he was of the same party as the governor, so I don't know exactly what the basis was. I think he just liked to sound off quite often, anyway.

CURRIE: Legislative Analyst Deputy John Vickerman

MORRIS: How about the legislative analyst's office? They spend a lot of time taking the budget apart every year.

CURRIE: Yes. While I was in France, John Vickerman had that responsibility for the legislative analyst's office regarding revenue matters, and I always worked very closely with John. We knew in advance what they were going to say about a bill, and they knew in advance what we were going to do. They would give a copy of their analysis of a revenue bill to us before the committee meeting.

As far as the revenue estimates were concerned, I don't recall an instance in which they differed from us very greatly. They sometimes just stated the fact that the revenue estimates depend on the assumptions, and if the assumptions were valid, they didn't criticize us. We had a good working relationship with John Vickerman.
IV REVENUE NEEDS IN THE 1960s

Governor Pat Brown's Budget Deficit, 1961-62

MORRIS: Could we talk a few minutes about some of the specific revenue bills? I was thinking about when Pat Brown came into office, he was looking for increased revenues. Was it because Pat Brown wanted to expand programs or was there a recession that meant that income was down?

CURRIE: No. Governor Brown was pretty liberal, as I'm sure you know. There was quite an expansion in state expenditures. I don't recall any particular shortfall on our revenue estimates at that time, but at the end of his first term as governor, we were confronted with quite a deficit. I remember a meeting at which several of the Democratic leaders were discussing the need for new revenue. I was trying to recall last night what happened at that time. I can't recall adjustments in the tax system in... That would be nineteen what, sixty-one?

MORRIS: He was reelected in '62 and he asked for revenue bills two or three years in there. The general view is that by his second term, Pat Brown and [Assembly Speaker] Jesse Unruh were... There was quite a lot of friction between them. You smile. Is that something that was obvious?

CURRIE: No, it was never obvious to me. As a matter of fact, I recently read [former Senator James R.] Jim Mills's book, and it revealed an awful lot to me that I didn't appreciate at the time I was working there.1 I knew that Jesse Unruh didn't like the Department of Finance. I didn't realize that it was largely due to the friction between Jesse Unruh and the

governor and Jesse Unruh and Hale Champion. I didn't realize that was a part of the situation. He was one that was quite likely to be extremely critical of our revenue forecasts.

MORRIS: What was his objection to the Department of Finance, Mr. Unruh?

CURRIE: I don't think it was so much an objection to the Department of Finance as it was the politics between Jesse Unruh and Pat Brown.

MORRIS: Yes, because at one point there was a proposal for a sales tax increase, and there was a lot of newspaper publicity about the governor's figures were wrong and the sales tax increase was not going to be needed.

CURRIE: I just don't have a good recollection of that.

MORRIS: And your section wouldn't get involved in that kind of . . .

CURRIE: Oh, yes, it would have been involved. But I don't recollect it. I recall the friction and I recall the criticism by Jesse Unruh of our revenue estimates, but I don't recall the proposed sales tax increase. I know there was a revenue program in '59 because Tom MacBride carried the bill.¹ But I don't recall the details of it and I haven't a thing that would refresh my memory on it. If I hadn't destroyed or given the library all my summaries, I would have been able to check up on it. But I can't now. I can't answer that. I don't recall it.

MORRIS: And by '62, MacBride is on the bench, so you don't have his kind of leadership for the governor's legislation.

CURRIE: [Assemblyman John G.] Jack Veneman took over. He was a good [Assembly] Revenue and Taxation [Committee] chairman, too, but

¹ Revenue legislation carried by MacBride in 1959 included Cal. Stats. Ch. 485, p. 2419; Cal. Stats. Ch. 492, p. 2426; Cal. Stats. Ch. 39, p. 1889; Cal. Stats. Ch. 56, p. 1918; and others.
by that time he had acquired a small staff of his own and there wasn't as close cooperation as there was between Assemblyman MacBride and the Department of Finance.

MORRIS: Later in Pat Brown's administration, there was a property tax equalization bill for school subventions. That would not have...

CURRIE: I wasn't involved.

Accrual Accounting

MORRIS: There was the accrual accounting. Now, did that come through the Department of Finance?

CURRIE: Yes. That was very much justified. At one time, the insurance companies paid their insurance tax by January 15 of the second following year. They had the use of all that money for a year, drew interest on the state's tax money. The sales tax, when it was first enacted, the payment to the state wasn't due until the fifteenth of the second following quarter. So the retailers had the use of all that money, and it would be in their accounts, not in the state's account.

One of the things that has happened in state finance has been hurrying this money into the state treasury. [It was sound financial management to get this tax money into the state treasury more quickly—to advance the due dates of the sales tax, personal income tax, insurance tax, and others. In fact, the bank and corporation (income) tax was made payable in advance, with the advance payment to be credited against the actual tax due when the year's income became known.]* It

* Bracketed material is a revision made by Currie during his review of the interview transcript.
wasn't just in Governor Brown's administration alone that these changes were made, although there was more hustling of money into the treasury, collecting it faster, under Governor Brown.

**Income Tax Withholding; Tax Credits**

MORRIS: If there were these different taxes where the speed-up of collection had taken place over the years, why was there such reluctance to pass withholding of state income tax which, in effect, was the same kind of thing?

CURRIE: That was Governor Reagan. He had made the statement that he was opposed to withholding and "his feet were in concrete," as you will remember, on the withholding bill.¹ He did finally approve it.

MORRIS: I have a note that it was suggested as early as 1959, which would put it back in Pat Brown's administration.

CURRIE: Yes, it was proposed earlier. We also proposed earlier to change the personal exemptions to a credit against tax; it was turned down.

MORRIS: Now, were these ideas that were being discussed at this national tax administrator conference?

CURRIE: No, that discussion was all about economic conditions. Nothing about state tax laws. That just involved the economic outlook for the nation as a whole.

MORRIS: I see. But there isn't a similar national professional group of people writing tax laws or comparing what other states are doing to increase revenue or things of that sort?

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CURRIE: No, not that I know of. We were pretty well aware of tax changes in other states, however. One of the federal agencies issued a report on what the states had done. What is it? The Commission on Intergovernmental Relations. It was in the fifties and sixties. They issued a report annually on what had taken place in taxation by the various states, what the states had done about taxes. So each state was pretty well... At least California was pretty well aware of what was going on in the other states.

MORRIS: Did the Department of Finance have any internal discussions about whether withholding would be a good idea? Did Governor Pat Brown talk to you about...

CURRIE: Yes, although I can't give you details on it. I'm sure when Hale Champion was our director we had meetings that... Who was Pat Brown's first director of Finance?

MORRIS: Bert Levit from San Francisco. He was an attorney who had done a lot of work on government organization.¹

CURRIE: I can't recall whether there were discussions of withholding at that time. I know there were discussions at various later times. It was one of the things that was proposed to Governor Reagan. He wouldn't have anything to do with it until, finally, he had to accept it. But he did accept and recommend the change from personal exemptions to tax credits for the income tax. And that was a fair thing to do because a man with four children and $100,000 a year income was getting a far greater tax advantage than the man with four children and $10,000 worth of income a year. So the credit against tax was

¹. See Bert W. Levit, in Perspectives on Department Administration, Regional Oral History Office, University of California, 1980.
equitable, and I remember that when it was proposed to Governor Reagan, and he accepted it right away.

Department of Finance Proposals

MORRIS: Did the department generally recommend what the outline might be of a new tax bill?
CURRIE: Yes. We did that quite often. The Department of Finance prepared a memorandum for the governor on various things that could be done and how much revenue would be involved. Then the governor would select from that list—add to it or delete from it—whatever he wanted to do.
MORRIS: It looks as if when a new governor came in was a good time to ...
CURRIE: Always.
MORRIS: Now, why is that?
CURRIE: Because the taxpayer will have pretty well gotten used to it and forgotten it when the governor comes up for reelection.
MORRIS: [Laughter] I see.
CURRIE: Always, if you must have taxes, have the change in your first year.
MORRIS: Before you get to the Reagan administration, there was one thing I wanted to ask you coming by. Pat Brown did preside over the institution of the Medi-Cal program, which was some federal money and some state money for medical care for people who couldn't afford it. During the Reagan administration, there was a lot of concern about the way the costs for that program had increased. This would be just at the end of your tenure in the department.
CURRIE: It wouldn't have involved me because it was an expenditure item.
MORRIS: I see.
CURRIE: I wouldn't have gotten into it at all.
MORRIS: And you wouldn't have come across it in writing the expenditure analysis or anything.

CURRIE: Maybe in a draft for the budget message. I may have, although I don't recall it now.

MORRIS: Then, when you go to a new governor with a memo about revenue possibilities, does that also include "We have a revenue shortfall"?

CURRIE: Oh, yes. The governor would have received that news from the director of Finance. From the first of November on, we were trying to get an idea of what the outlook was, whether we had enough revenue or were going to have a deficit or, if we're going to have a surplus, how much surplus. We had to come up with a fairly firm estimate of revenue by December 15, and that would be put up against a fairly firm estimate of the expenditure requirements; and that would form the basis for discussions with the governor. If there were a shortfall, what expenditures could be deleted or what revenues could be increased. There were many, many meetings on the budget with the governor. If revenue was involved, I'd be involved. If it's only expenditures, I wouldn't even attend.

MORRIS: Would you have sat in on the meetings with Pat Brown while he was governor on every annual . . .

CURRIE: Yes. I don't know who told Hale Champion that I would write a preliminary draft of the budget message or preliminary material to be worked on for a budget message, but I inherited it again.

MORRIS: John Carr was Finance director before Hale.

CURRIE: Yes, that's right, but Hale was Governor Brown's press secretary.

MORRIS: Champion was a newspaper man like Scoggins. Was John Carr somebody who spoke more your language in terms of . . .

CURRIE: John Carr, I don't know what his position. . . . I think he was head of a retail . . .
MORRIS: A businessman.

CURRIE: Yes, he was a businessman in southern California. He was the head of a retail store, or of the retail chains, I think, down there. I'm glad you mentioned that. First was Bert Levit, and then John Carr, and then Hale Champion. I'm sure that Hale Champion took far more interest in our aspect of the work than anybody else.

MORRIS: Because the revenue situation was getting tighter?

CURRIE: It was getting tighter. Did you know Hale Champion?

MORRIS: Yes.1

CURRIE: He's a brilliant man.

MORRIS: Yes. He's done well in government; he's stayed right in it.


Conferring with Governor Reagan, Finance Director Gordon Paul Smith

MORRIS: So you were already working on a plan for revenue increases toward the end of the Pat Brown administration coming into Governor Reagan's administration?

CURRIE: Yes.

MORRIS: What was the reaction in the department when Reagan campaigned on the "We've got to reduce government expenditures and cut government spending"?

CURRIE: I can't recall anything very great. At least it didn't penetrate to our level. It probably was of great concern to

Hale Champion and [Deputy Director, Department of Finance] Jack Sheehan and the others.

MORRIS: Did Reagan meet also with Department of Finance people or did he leave it to his staff?

CURRIE: He left it pretty much to his staff, so far as I know.

MORRIS: But the meetings that you sat in on in earlier administrations, the governor had sat in on them. When we get up into '67 . . .

CURRIE: Who was Governor Reagan's first director of Finance?

MORRIS: Gordon Paul Smith.

CURRIE: Of course. I should have remembered. I was in meetings two or three times with Gordon Paul Smith, Governor Reagan, and members of the governor's staff. I can remember several of those. In fact, I can remember going with Gordon Paul Smith up to the governor's home when he was on 45th Street because he had the flu and discussing what we were going to do about revenue. It was at that time we talked about substituting the tax credit for the personal exemption on the income tax. There were other meetings.

MORRIS: That was part of the package of SB 556, I believe, the tax credit.

CURRIE: Yes, it was. I don't know whether it was in the very first draft or not. I think it was. Yes, I'm sure it was. It had to be because we had—"Rate increase and credits in lieu of exemptions." Yes, we had it in the original.

MORRIS: So you'd kind of been saving up various changes in the revenue program.

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1. Budget Revenue Program, Summary, p. 7, from Department of Finance file on SB 566, 1967, on deposit in the California State Archives.
We always had to have a list of possibilities and the amount of revenue involved in each of the changes, and the amount of revenue involved if you did one thing and didn't do another or if you did two things in conjunction with each other. So we had to be. . . . So these estimates were. . . . I understand from [Department of Finance economist David] Dave Brainin that they were pretty low but I don't know what they did get.

Now, Dave Brainin was by then one of your assistants?

He was on our staff, yes. Dick Lazansky was with me from about 1941. He was a reserve officer and he was called up early. Dave Brainin came in about the early 1950s and then he stayed on for ten or fifteen years after Dick and I quit. But the three of us were together for a long period. And [Department of Finance Economist] John Germanis, another man who came to us. He qualified on one of the civil service examinations and decided that he wanted to work for the Department of Finance and kept after us. He's now gone. He went to the federal government and became one of the chief technicians for the Joint Committee on Revenue of congress and just worked himself to death. He had a heart attack and died about five years ago or so.

Trying to keep a sense of what's going on in California public finance is so mind-boggling that at the federal level it must just be geometrically larger. Did this group of finance whizzes debate among yourselves what was politically more likely to be approved at this time or debate the pros and cons of new taxes?

Not really. We were aware of it but we'd present all of the possibilities, even though some were not likely to be accepted. We had estimates of withholding to present to Governor Reagan, although we knew that he was very much opposed to it.
MORRIS: You hadn't gotten to the statistical implications earlier than Governor Reagan? It wasn't formally discussed during Pat Brown's administration?

CURRIE: Withholding?

MORRIS: Yes.

CURRIE: Yes, the implications were discussed. I can't tell you the details now. I know that we knew pretty well what the revenue would be if withholding were enacted. Perhaps the higher-ups thought it wouldn't have passed the legislature, for one thing.

MORRIS: The other thing that's happening through the sixties and has accelerated since is the concern about city and county property taxes.

[End Tape 2, Side B]

[Begin Tape 3, Side A]

Local Property Taxes

CURRIE: Can we start again on that, because I lost it.

MORRIS: My question was, did the Department of Finance, in making its revenue estimates and developing the budget, have a concern about the growing agitation at the county level about the increases in property taxes? At the Department of Finance level, did you consider whether there should be some property tax relief built into the state revenue picture?

CURRIE: I really can't answer because it would be an expenditure matter, and I wouldn't be in on it.

MORRIS: And that wouldn't come into department-wide discussions?

CURRIE: No, I don't think so. But of course, I usually didn't have any idea of all that was going in between the director of Finance and the governor, or, for that matter, between the chief of the budget division and the director of Finance. Not in any administration, but particularly as close as Hale Champion and
Governor Brown were, many things must have been discussed that
wouldn't have come down to the staff level.

MORRIS: I can well believe it.

CURRIE: Even in the area of public finance.

Gordon Paul Smith and Caspar Weinberger as Directors of
Finance, 1967-1968

MORRIS: Was there a difference between the way the Department of
Finance operated and what it felt like to work in between when
Gordon Paul Smith was director and then when Caspar Weinberger
came in as director?

CURRIE: Oh, yes. [Laughter]. I'd just as soon not talk about either
one of them.

MORRIS: I see. [Laughter] I'm not asking for a political judgment. I
was thinking about administrative . . .

CURRIE: Personal judgment. I have always felt that I worked for the
governor and for the director of Finance. I wasn't involved in
any political aspects of the governor's position or the
director of Finance's position. It was just to supply the
facts the best we possibly could.

MORRIS: You said Jimmy Dean was fun to work for. It sounds like by the
time of Gordon Paul Smith and Cap Weinberger, the Department
of Finance wasn't as much fun as it had been twenty years
earlier.

CURRIE: I'll say this: Gordon Paul Smith was the most appreciative
director of Finance I think I ever worked for. He really
appreciated what you did. But I think he had some limitations
that the others didn't have.

MORRIS: I've heard that, even though he was a great success in the
business field.

CURRIE: He didn't know the public finance field too well. Now you
know, Cap Weinberger was a politician from the early 1950s. He
served a couple of terms in the assembly and was a political leader for many years after he left the assembly.¹

MORRIS: Then he worked on a couple of revenue bills when he was in the assembly.

CURRIE: Yes, and he wrote a column for a group of newspapers about state politics. So he came in well grounded in the whole area of state government. You would expect far more from Caspar Weinberger than you would expect from Gordon Paul Smith, as director of Finance.

MORRIS: Did he have any innovations or useful ideas in terms of Department of Finance operations?

CURRIE: Mr. Weinberger?

MORRIS: Yes.

CURRIE: I'm sure he did, but I can't tell you of them.

V RETIREMENT

MORRIS: Why don't we wind up with any of the things I haven't thought to ask you about or things that you think, from your experience in the Department of Finance, are still important in terms of state revenues?

CURRIE: I've been out of it for twenty years. I haven't even followed developments closely. When I retired, I thought, "I'm going to attend committee meetings just to keep aware of what's going on." I attended about four committee meetings, and they were so boring [Laughter] that I never went back.

MORRIS: Revenue and Taxation?

Revenue and Taxation. I didn't go back. You waste so much
time. Things that you already know or things that you don't
care about. Another thing I was going to do as a retiree was
attend superior court trial sessions. I was on a jury for two
cases and never went back to sit through another trial.

Did any of the Department of Finance activities require a
court test of any kind?

Not that I recall.

I was just wondering because I know for a while in there when
there were a lot of revisions being made in the Department of
Social Welfare, when people disagreed with what the governor's
regulations were, they would take it to court.

Yes. I'm sure there was some of that. I'm sure there were some
of the governors that wanted the court to decide some things
that were... They would rather have the court's decision,
so I think some of the governors participated in taking
certain questions to court.

I see. That's an interesting idea. Finance matters? Budget
matters?

No, not finance matters.

Of course not. Finance is above such [Inaudible].

I can't remember anything that...

I thank you very much. You get a transcript of the proceedings
this morning, and you may find that there's some things that
are brought to mind that we'd like to add. And I may have some
questions when I look at the transcript and ask you
[Inaudible].

I may want to change something and check on matters of fact.
It was an extremely interesting period to be connected with
the state government. I say that I would have rather been in
the Department of Finance in the period that I was there than
any other. The budget has gotten so complicated that I can't
even understand it.

[End of Interview]