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Herbert Sandler

Herbert Sandler: A Life with Marion Osher Sandler in Business and Philanthropy

The Marion and Herb Sandler Oral History Project

Interviews conducted by
Martin Meeker in 2017

A portion of this interview is sealed until April 2029.

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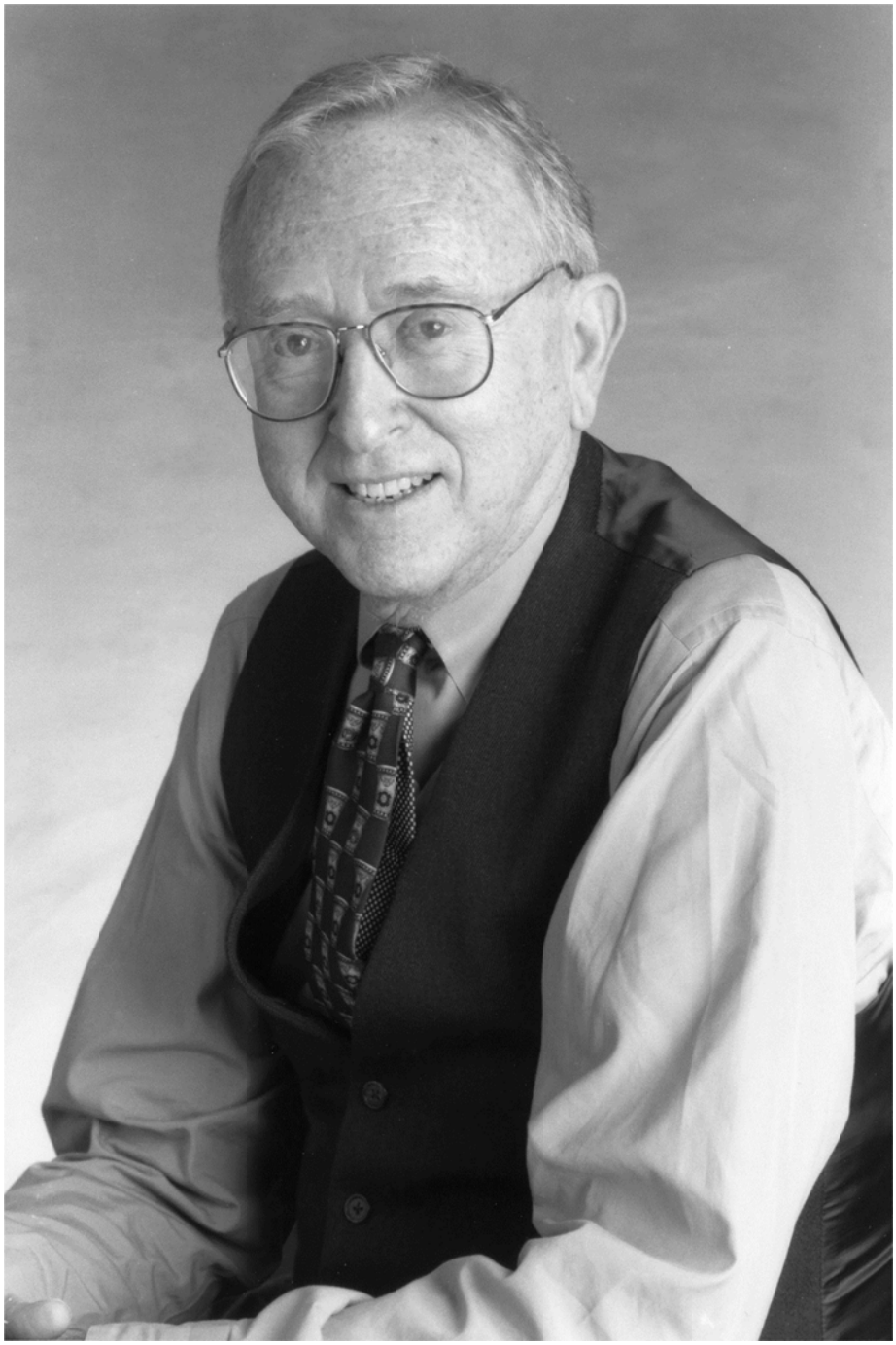

Herbert Sandler
Photograph courtesy of the Sandler Foundation



Marion Osher Sandler in 1987
Photograph courtesy of the Sandler Foundation



Herb and Marion Sandler on their honeymoon in 1961
Photograph courtesy of the Sandler Foundation



Herb and Marion Sandler around 2010
Note: Herb is wearing one of Marion's signature knit sweaters
Photograph courtesy of the Sandler Foundation

Herbert Sandler is an American philanthropist and businessman. Sandler was born in New York City in 1931 and was raised in Manhattan's Lower East Side neighborhood. He graduated from the City College of New York in 1951 and from the Columbia School of Law in 1954. He worked as an attorney in private practice and for the Waterfront Commission of New York Harbor. Sandler met Marion Osher in 1960 and they wed in 1961. Herb and Marion Sandler moved to California in 1962 in order to purchase a small savings and loan institution. The Sandlers both served as CEOs of the institution, which was named Golden West Financial Corporation. The operating subsidiary was named Golden West Savings and later renamed to World Savings. The Sandlers sold Golden West in 2006 as they had been devoting more of their time to philanthropy. Through the Sandler Foundation, the Sandlers invested heavily in many existing organizations, such as the American Civil Liberties Union, and founded several others, including ProPublica and the Center for American Progress. In this oral history, Herb Sandler discusses the following topics: family background and upbringing; education and law school; the life and work of Marion Osher Sander; the practice of law in New York City; the purchase, expansion, culture, business model, and governance of Golden West Financial; the Savings and Loan Crisis of the 1980s; the financial crisis of the 2000s; and the establishment, administration, interests, and leadership of the Sandler Foundation.

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Foreword

There are many ways to read Herb Sandler's oral history and the oral histories of his friends, relatives, business colleagues, and philanthropic partners.

As a bildungsroman: the coming-of-age story of its protagonist from his lower east side childhood to becoming who he is.

As business history: the history of one company—Golden West—which grew over four decades from two branches to become the second biggest savings and loan in the country. It is also, through the eyes of Sandler, a history of the industry more generally in a period of rapid and, on occasion, disastrous changes.

As a history of ethical engagement in the financial marketplace but more directly through philanthropy: It is the story of how Herb Sandler and Marion Osher Sandler went about giving away the billions they made to a wide range of causes from innovative blue-sky medical research; to human rights; civil liberties; investigative reporting; policy research; fair and equitable lending; affordable housing; open access publishing; education for literacy and more.

As a group biography: Perhaps the most remarkable feature of the lives that are narrated here is the density of friendships that connect them. It will not be surprising that rich people attract people who want something from them, what Aristotle called "use friends," friends for whom hopes of worldly gain is the foundation for the relationship. These are not friendships between equals. Andrew Carnegie died a lonely and isolated man because so many of his friendships were of this sort. And, in the course of business the Sandlers would make many useful acquaintances who in some instances became more than that. But the striking thing that emerges from this oral history is the degree to which a thick network of people became over the decades real friends in ways that went beyond mutual benefit and short-term attraction.

Readers of the bildungsroman will have their favorite moments: Herb Sandler's discovery as a more than ordinarily innocent fifteen-year-old freshman at City College that girls had breasts, an epiphany that precipitated weeks of inattention to his studies. Or his coming to understand when he got back from the army and started to work for the New York Waterfront Commission that he "had a clear mind and was a solid person." Or, his slow realization that his father had considerable gambling and other debts and his commitment to slowly paying them off.

There is the moment when his beloved and brilliant older brother Lenny confessed to him that already as a teenager he had figured out that he would never be a happy person and he would do what he could to make sure that the same would not be Herb's fate. It wasn't.

There is Herb's time as a young man working with a charismatic progressive Episcopalian priest on a community development projects that would both nourish his own passion for social justice and build his confidence in his abilities to contribute to a common good. (That same priest as bishop would get into trouble for allowing women to preach.)

There are the kids-in-the-candy-store moments as he and Marion delight in building their business—Golden West, a small savings and loan with two branches—from the ground up. (To be literal, from basement offices below ground because the ever-busier loan department took over the upstairs space.) Throughout the more personal parts of his oral history there is the pleasure and the passion of watching a highly intelligent and morally sensitive man exploring the world and making it his.

But his is a peculiar bildungsroman because in it became the story of a new being, a conjoint creature named Herb-and-Marion. Marion is Marion Osher Sandler whom Herb met through friends at a rented beach house in the Hamptons; wealthier, with an exquisite education (Wellesley and Harvard-Radcliffe Business Program, women were not admitted to the Harvard MBA program at the time), and stunningly beautiful, she seemed out of reach. They fell in love.

Marriage changes the course of any life but usually not as deeply as the life narrated by Herb. Marion was one of the first female stock market analysts on Wall Street; she specialized in savings and loan companies and knew a great deal about the California environment; it was her conviction that they could do better than the companies she had analyzed and her expertise that guided them at the start; it was her fearlessness that got them across the bar of getting a loan to buy their first company. Obviously, Herb was a gifted learner but the sense he gives is that, before he was her equal in business, she was his mentor.

They were separated for less than four weeks over more than fifty years together. They built their business together in the office and out; they seemed to have had a great deal of fun at it. They testified before Congress together; they did their dog and pony show for stock analysts together. Their business lives extended into travel to and from the office and into the home. Few professional lives are so deeply imbricated. And, of course, they entertained friends and raised two successful and accomplished children together. For the last fifty years, the history of Herb is in effect the story of the coming into being of Herb-and-Marion.

This is why it is not easy to separate the bildungsroman from the business story. Russ Kettell, for many years President of Golden West Financial, the holding company of World Savings, says in his oral history that he reported to three people: to Herb, to Marion, (they were co-CEOs) and to Herb-and-Marion—an emergent being that was something more than its parts. Each continued to exist; each retained its own talents and views and skills. Herb did not knit; Marion did at a very high level. The Sandler quip "I disagree with us," remembered by a number of the interviewees in this history, is evidence of the existence of a being that speaks at the same time in one voice and in the voices of its two remarkable people.

The business history in these volumes is therefore in some measure an extension of personal history: the history of a marriage and a life-long love affair writ on an organization. Few large companies–over twelve thousand employees at its peak and a market value of over 25 billion—can have been as much the expression of the values, personalities, and craftsmanship of their principal owners. Golden West was a work of art. Were it a canvas it would be signed.

That said, there is material here for case studies of management styles, cost containment strategies, human resource development, advertising, and the development of new financial products in the face of new financial environments: the variable rate mortgage, for example. There is also the record of Sandlers' engagement with the regulatory environment that failed to prevent two major crises in the savings and loan industry: that of the1980s that they saw coming and worked hard, in Congress and out, to advert and that of 2008 by which time they had sold their company. (They publicly opposed the lending practices that precipitated the 2008 crisis but had retired in 2006 to devote themselves full time to philanthropy.) The Sandlers' company was famously well run, much admired and uniquely profitable. The only company that had higher profitability over a forty-year period was Warren Buffet's Berkshire Hathaway, as measured by compounded earnings per share growth. These are the sorts of things MBA students study.

But there is more in these oral histories than the nuts and bolts of this branch of the financial services industry. Two things stand out. One is the importance of "culture," a term that appears scores of times in Herb's and other oral histories in defining the enterprise. World Savings held more than 95 percent of its mortgages, which meant that risks could not be offloaded, a strategy that demanded scrupulous underwriting to keep defaults to a minimum. This in turn meant assessing the creditworthiness of borrowers, not on the basis of race or status or gender but on metrics that offered reliable predictive power. It also meant that new monies to lend came primarily from individual savers who therefore had to feel well served. This approach depended for its success on brutal honesty, analytic rigor, disciplined focus on a relatively small number of transactions, and humane treatment of customers and employees. On both the asset and the debit side World Savings succeeded because, through an extensive training program and through example, the Sandlers fostered a business culture hospitable to their overall strategy. It was a meritocracy with a personal touch. One exemplary story: Herb and Marion were visiting a branch; when they entered the manager stopped talking to a customer and turned to welcome them. They spoke to her afterward to say that she had her priorities backwards.

The second aspect of the business history is the Sandlers' and their colleagues' commitment to doing the right thing, not so much Google's "do no evil," as a more affirmative "do good." This does not mean selflessness. When a practice that might have been the interests of consumers—the right of a buyer to assume a fixed rate mortgage when a house was sold, for example—but was, in their view, incompatible with running a profitable business, they opposed it. They declared their interest. But it is striking how much doing good—making it possible for people who otherwise could not have been able to buy a house to do so—seems to have motivated the company. Doing the right thing and running a successful business were mutually supportive. Opposition to redlining, advocacy for gender equity in hiring and on the corporate board, the creation of affordable mortgages, support for Bridge, one of California's major low-income housing builders, or a high level of customer service in otherwise under-served areas, for example, were, in their view, the right thing to do and good business practice. This is a history of capitalism born as much—arguably more—of Adam Smith's Theory of Moral Sentiments as from the Wealth of Nations.

These oral histories are of value too because they provide a record of a major strand of late twentieth and early twenty-first century philanthropy generally and of one particularly successful foundation in particular. In a sense the Sandlers' instincts and strategies in giving away their money were the same as those that guided making it. Their philanthropy is almost all of the middle range both in scope and temporal vision. They were not, on the one hand, driven by a world historical vision like Soros' or Gates', for example, nor did they, with some exceptions, respond to individual applications from a variety of good causes. There were no calls for proposals. They did not generally fund endowments, that is, support infrastructure into a distant future. (A possible early exception is the Leonard H. Sandler fellowship in honor of Herb's brother that supports a recent Columbia Law School graduate to work full time for a year in a human rights organization.)

In their engagement with social issues they identified and funded creative people who were strategically engaged with relatively focused needs in particular areas of concern to the donors. In some cases, they helped established organizations take on new challenges—Human Rights Watch, the ACLU. They helped create new institutions that address unmet needs—ProPublica in investigative reporting; the Center for American Progress in liberal policy analysis. And they invested significantly in people whose relatively modest engagement in one context with an issue like predatory lending—Martin Eakes and the Self-Help Credit Union for example—generated the separate Center for Responsible Lending which he led and which became a major national voice. Although Herb does not use the word "culture" in describing their work with those they funded, it involved, as did building Golden West, building a distinctive culture of philanthropy.

The Sandlers' support of basic science might seem to follow a very different trajectory. People who were risk averse, disciplined and focused on a limited range of products over a limited domain took on high-risk ventures across the life sciences. Unlike their business and social justice philanthropy, they knew little about the substance of the work they funded. And they were generally unfamiliar with the infrastructure of scientific research, with how the system worked. They did have a particular interest in, and layperson's knowledge of, asthma research that grew out of Marion's life-long struggle with the disease but their support in this area was not focused directly on finding a cure. Rather, it was directed toward exploring foundational scientific questions the answer to which might, sometime in the future, lead to cure for asthma or perhaps even for some other disease. In short, they seemed to have abandoned the doctrine of measurable impact that guided their business careers and much of their other philanthropic engagements.

But this is not quite the case. Rather than finding and supporting a limited range of research on substantive practical issues they, working with scientists at UCSF whose interviews form part of this collection, recognized a great unfilled need: funding for basic, blue sky research with no guarantees of success and no immediate practical payoff. And they did have a guiding strategy: create the conditions for creativity. In the first place, shaking up the sociology of normal science. No one (with very few exceptions) who had worked on asthma before, for example, was eligible for a grant from their American Asthma Foundation; the project's leader came from a distant field. The idea was to nourish new thinking about an old problem.

This approach was even more in evidence in their support of high-risk basic science projects across a wide range of disciplines. Major government and private foundation funding are generally awarded to projects and research labs that build incrementally on earlier work, that play it safe, that have a good chance of success in a well-defined arena. Of course, such funding sometimes has big payoffs. But Joseph DeRisi's oral history documents the successes of the opposite approach: giving money to brilliant people to take intellectual risks. Some succeed; others do not. But the multiplier effect in future funding of those that were successful is, as Keith Yamamoto's oral history makes clear, enormous.

It may seem that this approach to scientific philanthropy is the opposite of the Sandlers' approach in the savings and loan business: an embrace rather than a mitigation of risk. But a common sensibility connects the two. First is a talent for recognizing a core problem as the first step to a solution. In their business it was the recognition that in an unstable interest rate environment a savings and loan company could not survive by holding long-term mortgages at a fixed rate and borrowing money short term at prevailing rates from depositors. In their scientific philanthropy it was the opposite insight: that overly cautious funding priorities had led to a neglect of basic science that had no immediate translational payoff but with potential for revolutionary breakthroughs. Second is the ability to listen to others. It was, as Herb's and Russ Kettell's oral histories make clear, the young and still relatively junior Kettell's analysis that alerted his bosses to the nature and importance of the problem and pointed the way to a solution. In their many social and political justice initiatives they attracted, and listened to, the advice of a wide range of gifted advisors many of whom became friends: Robert Solow, John Podesta, and Aryeh Neier for example.

In their science philanthropies the Sandlers' reliance on experts is obviously greater than it had been in business or in their other philanthropic work. And they succeeded in this arena because they managed with the help of scientists at UCSF to create a number of exceptionally distinguished advisory boards to guide their giving. Nobel Prize winners seemed almost anxious to participate in selection committees and peer reviews that are more usually taken on as unwelcome academic chores.

Perhaps the most striking feature of Herb's oral history, and indeed of this whole collection, is the sheer number of names in its pages, names that reflect a thickness of social and professional connections. This is perhaps not surprising: business is a social enterprise at every level. So is philanthropy. We would expect friendships of utility to abound in these histories, friendships that are based on relatively limited transactional interests. But the remarkable story that this collection documents is the degree to which friendships that may have been born of mutual practical benefits developed into friendships of another sort. Remarkable also is how Sandler's friendships from childhood and college, friendships of the sort that often fade over the years, were maintained and came to sustain a whole life. These oral histories are filled with what Aristotle called virtue friendships, friendship based on equality, friendships that depend on mutual growth, friendships that endure over a long time. These may of course also provide the pleasures of youthful acquaintance and of utility—they help to keep us happy—but their essence is that they shape the quality of our lives. They make us who we are.

There is a record of these friendships in Herb's oral history stretching back to childhood and adolescence. But there is also a record of friendships, begun out of utility, which have deepened into something more—see for example the interviews of Anthony Romero, Mike Roster, and John Podesta on how this happened. And there are friendships that never had much utility: mine.

Together this collection of oral histories documents an exceptionally rich private and public life. Whether Herb Sandler achieved what the Greeks called "eudaimonia"—happiness, welfare, human flourishing—I cannot say. But these are oral histories about an effort to attain that happy state through "virtuous activity in accordance with reason."

Thomas Laqueur, Helen Fawcett Professor of History Emeritus, UC Berkeley

Project History: the Marion and Herb Sandler Oral History Project

Herb Sandler and Marion Osher Sandler formed one of the most remarkable partnerships in the histories of American business and philanthropy—and, if their friends and associates would have a say in things, in the living memory of marriage writ large. This oral history project documents the lives of Herb and Marion Sandler through their shared pursuits in raising a family, serving as co-CEOs for the savings and loan Golden West Financial, and establishing a remarkably influential philanthropy in the Sandler Foundation. This project consists of eighteen unique oral history interviews, at the center of which is a 24-hour life history interview with Herb Sandler.

Marion Osher Sandler was born October 17, 1930, in Biddeford, Maine, to Samuel and Leah Osher. She was the youngest of five children; all of her siblings were brothers and all went on to distinguished careers in medicine and business. She attended Wellesley as an undergraduate where she was elected into Phi Beta Kappa. Her first postgraduate job was as an assistant buyer with Bloomingdale's in Manhattan, but she left in pursuit of more lofty goals. She took a job on Wall Street, in the process becoming only the second woman on Wall Street to hold a non-clerical position. She started with Dominick & Dominick in its executive training program and then moved to Oppenheimer and Company where she worked as a highly respected analyst. While building an impressive career on Wall Street, she earned her MBA at New York University.

Herb Sandler was born on November 16, 1931 in New York City. He was the second of two children and remained very close to his brother, Leonard, throughout his life. He grew up in subsidized housing in Manhattan's Lower East Side neighborhood of Two Bridges. Both his father and brother were attorneys (and both were judges too), so after graduating from City College, he went for his law degree at Columbia. He practiced law both in private practice and for the Waterfront Commission of New York Harbor where he worked on organized crime cases. While still living with his parents at Knickerbocker Village, he engaged in community development work with the local settlement house network, Two Bridges Neighborhood Council. At Two Bridges he was exposed to the work of Episcopal Bishop Bill Wendt, who inspired his burgeoning commitment to social justice.

Given their long and successful careers in business, philanthropy, and marriage, Herb and Marion's story of how they met has taken on somewhat mythic proportions. Many people interviewed for this project tell the story. Even if the facts don't all align in these stories, one central feature is shared by all: Marion was a force of nature, self-confident, smart, and, in Herb's words, "sweet, without pretentions." Herb, however, always thought of himself as unremarkable, just one of the guys. So when he first met Marion, he wasn't prepared for this special woman to be actually interested in dating him. The courtship happened reasonably quickly despite some personal issues that needed to be addressed (which Herb discusses in his interview) and introducing one another to their respective families (but, as Herb notes, not to seek approval!).

Within a few years of marriage, Marion was bumping up against the glass ceiling on Wall Street, recognizing that she would not be making partner status any time soon. While working as an analyst, however, she learned that great opportunity for profit existed in the savings and loan sector, which was filled with bloat and inefficiency as well as lack of financial sophistication and incompetence among the executives. They decided to find an investment opportunity in California and, with the help of Marion's brothers (especially Barney), purchased a tiny two-branch thrift in Oakland, California: Golden West Savings and Loan.

Golden West—which later operated under the retail brand of World Savings—grew by leaps and bounds, in part through acquisition of many regional thrifts and in part through astute research leading to organic expansion into new geographic areas. The remarkable history of Golden West is revealed in great detail in many of the interviews in this project, but most particularly in the interviews with Herb Sandler, Steve Daetz, Russ Kettell, and Mike Roster, all of whom worked at the institution. The savings and loan was marked by key attributes during the forty-three years in which it was run by the Sandlers. Perhaps most important among these is the fact that over that period of time the company was profitable all but two years. This is even more remarkable when considering just how volatile banking was in that era, for there were liquidity crises, deregulation schemes, skyrocketing interest rates, financial recessions, housing recessions, and the savings and loan crisis of the 1980s, in which the entire sector was nearly obliterated through risky or foolish decisions made by Congress, regulators, and managements. Through all of this, however, Golden West delivered consistent returns to their investors. Indeed, the average annual growth in earnings per share over 40 years was 19 percent, a figure that made Golden West second only to Warren Buffett's Berkshire Hathaway, and the second best record in American corporate history.

Golden West is also remembered for making loans to communities that had been subject to racially and economically restrictive redlining practices. Thus, the Sandlers played a role in opening up the dream of home ownership to more Americans. In the offices too, Herb and Marion made a point of opening positions to women, such as branch manager and loan officer, previously held only by men. And, by the mid-1990s, Golden West began appointing more women and people of color to its board of directors, which already was presided over by Marion Sandler, one of the longest-serving female CEOs of a major company in American history. The Sandlers sold Golden West to Wachovia in 2006. The interviews tell the story of the sale, but at least one major reason for the decision was the fact that the Sandlers were spending a greater percentage of their time in philanthropic work.

One of the first real forays by the Sandlers into philanthropic work came in the wake of the passing of Herb's brother Leonard in 1988. Herb recalls his brother with great respect and fondness and the historical record shows him to be a just and principled attorney and jurist. Leonard was dedicated to human rights, so after his passing, the Sandlers created a fellowship in his honor at Human Rights Watch. After this, the Sandlers giving grew rapidly in their areas of greatest interest: human rights, civil rights, and medical research. They stepped up to become major donors to Human Rights Watch and, after the arrival of Anthony Romero in 2001, to the American Civil Liberties Union.

The Sandlers' sponsorship of medical research demonstrates their unique, creative, entrepreneurial, and sometimes controversial approach to philanthropic work. With the American Asthma Foundation, which they founded, the goal was to disrupt existing research patterns and to interest scientists beyond the narrow confines of pulmonology to investigate the disease and to produce new basic research about it. Check out the interview with Bill Seaman for more on this initiative. The Program for Breakthrough Biomedical Research at the University of California, San Francisco likewise seeks out highly-qualified researchers who are willing to engage in high-risk research projects. The interview with program director Keith Yamamoto highlights the impacts and the future promise of the research supported by the Sandlers. The Sandler Fellows program at UCSF selects recent graduate school graduates of unusual promise and provides them with a great deal of independence to pursue their own research agenda, rather than serve as assistants in established labs. Joe DeRisi was one of the first Sandler Fellows and, in his interview, he describes the remarkable work he has accomplished while at UCSF as a fellow and, now, as faculty member who heads his own esteemed lab.

The list of projects, programs, and agencies either supported or started by the Sandlers runs too long to list here, but at least two are worth mentioning for these endeavors have produced impacts wide and far: the Center for American Progress and ProPublica. The Center for American Progress had its origins in Herb Sandler's recognition that there was a need for a liberal policy think tank that could compete in the marketplace of ideas with groups such as the conservative Heritage Foundation and the American Enterprise Institute. The Sandlers researched existing groups and met with many well-connected and highly capable individuals until they forged a partnership with John Podesta, who had served as chief of staff under President Bill Clinton. The Center for American Progress has since grown by leaps and bounds and is now recognized for being just what it set out to be.

The same is also true with ProPublica. The Sandlers had noticed the decline of traditional print journalism in the wake of the internet and lamented what this meant for the state of investigative journalism, which typically requires a meaningful investment of time and money. After spending much time doing due diligence—another Sandler hallmark—and meeting with key players, including Paul Steiger of the Wall Street Journal, they took the leap and established a not-for-profit investigative journalism outfit, which they named ProPublica. ProPublica not only has won several Pulitzer Prizes, it has played a critical role in supporting our democratic institutions by holding leaders accountable to the public. Moreover, the Sandler Foundation is now a minority sponsor of the work of ProPublica, meaning that others have recognized the value of this organization and stepped forward to ensure its continued success. Herb Sandler's interview as well as several other interviews describe many of the other initiatives created and/or supported by the foundation, including: the Center for Responsible Lending, Oceana, Center on Budget and Policy Priorities, Learning Policy Institute, and more.

A few interviewees shared the idea that when it comes to Herb and Marion Sandler there are actually three people involved: Marion Sandler, Herb Sandler, and "Herb and Marion." The later creation is a kind of mind-meld between the two which was capable of expressing opinions, making decisions, and forging a united front in the ambitious projects that they accomplished. I think this makes great sense because I find it difficult to fathom that two individuals alone could do what they did. Because Marion Sandler passed away in 2012, I was not able to interview her, but I am confident in my belief that a very large part of her survives in Herb's love of "Herb and Marion," which he summons when it is time to make important decisions. And let us not forget that in the midst of all of this work they raised two accomplished children, each of whom make important contributions to the foundation and beyond. Moreover, the Sandlers have developed many meaningful friendships (see the interviews with Tom Laqueur and Ronnie Caplane), some of which have spanned the decades.

The eighteen interviews of the Herb and Marion Sandler oral history project, then, are several projects in one. It is a personal, life history of a remarkable woman and her mate and life partner; it is a substantive history of banking and of the fate of the savings and loan institution in the United States; and it is an examination of the current world of high-stakes philanthropy in our country at a time when the desire to do good has never been more needed and the importance of doing that job skillfully never more necessary.

Martin Meeker, Charles B. Faulhaber Director, Oral History Center, UC Berkeley

List of Interviews of the Marion and Herbert Sandler Oral History Project

Ronnie Caplane, "Ronnie Caplane: On Friendship with Marion and Herb."

Steve Daetz, "Steve Daetz: Values and Leadership at Golden West Financial and the Sandler Foundation."

Joseph DeRisi, "Joe DeRisi: From Sandler Fellow to UCSF Professor of Biochemistry."

Stephen Hauser, "Stephen Hauser: Establishing the Sandler Neurosciences Center at UCSF."

Russell Kettell, "Russ Kettell: A Career with Golden West Financial."

Thomas Laqueur, "Tom Laqueur: On the Meaning of Friendship."

Bernard Osher, "Barney Osher: On Marion Osher Sandler."

John Podesta, "John Podesta: Building Infrastructure for Progressive Politics with the Center for American Progress."

Anthony Romero, "Anthony Romero: Leadership of the American Civil Liberties Union in Times of Crisis."

Michael Roster, "Michael Roster: Attorney and Golden West Financial General Counsel."

Kenneth Roth, "Kenneth Roth: Human Rights Watch and Achieving Global Impact."

Herbert Sandler, "Herbert Sandler: A Life with Marion Osher Sandler in Business and Philanthropy."

James Sandler, "Jim Sandler: Commitment to the Environment in the Sandler Foundation."

Susan Sandler, "Susan Sandler: The Sandler Family and Philanthropy."

William Seaman, "Bill Seaman: The American Asthma Foundation."

Paul Steiger, "Paul Steiger: Business Reporting and the Creation of ProPublica."

Richard Tofel, "Richard Tofel: The Creation and Expansion of ProPublica."

Keith Yamamoto, "Keith Yamamoto: The Sandler Foundation and the Program in Breakthrough Biomedical Research at UCSF."

Interview 1: January 24, 2017

01-00:00:03
Meeker: Today is the twenty-fourth of January, 2017. This is Martin Meeker, interviewing Herb Sandler, and this is interview session number one. We are in San Francisco at the offices of the Sandler Foundation.

So this interview, as we have discussed in preparation, is going to be slightly different than the typical oral history interview. In those typical oral history interviews, I would ask the person I'm speaking with to tell me when and where they were born. And I'll do that, but then we'll very quickly back off from you, and I'm going to ask you after that point in time to recount the story of your wife, Marion. So why don't you just tell me your name, and say when and where you were born.

01-00:00:50
Sandler: Herb Sandler, and I was born in New York City.

01-00:00:56
Meeker: On the date of—?

01-00:00:57
Sandler: November 16, 1931. Didn't expect to be here at this stage. [laughs]

01-00:01:04
Meeker: Well, I'm glad that you are. And so, again, as I mentioned, what I would like to do is spend a good portion of today asking you to reflect and relay stories about Marion's family background and upbringing. And I know that she was born on October 17, 1930.

01-00:01:28
Sandler: Right. I married an older woman.

01-00:01:32
Meeker: Very slightly. And tell me who her parents were.

01-00:01:37
Sandler: Her parents were Sam and Leah Osher. And would you like me to tell you more about them?

01-00:01:46
Meeker: Yes, please.

01-00:01:46
Sandler: Now, of course, I never knew Sam Osher because he died before I met Marion. He died at the age of sixty-two. I did meet her mother, who I would call an immigrant woman, with a thick accent throughout the time I knew her.

So what I know has been told to me either by Marion or one of her four brothers over time, and subject to memory and forgetting, and getting it wrong.

But Sam's family was from Russia, and I believe he emigrated at the age of thirteen. There is a family story—I don't know if it's correct—that they sold a cow to get the money to send him here. That's amusing primarily because ending up running a major financial institution, we think of the "cash cow" that actually enabled all of this to take place.

He moved originally, as I understand it, to New York, where there were some relatives; worked very hard there, but I think he was not happy in New York. I don't know if there were any difficulties; it's unclear to get the story from anybody. Then moved up to Maine, and worked in the mills around Biddeford-Saco, which are two communities just south of Portland, Maine. The other things I remember from the stories is that he went into the hardware business, he had a small hardware store; ultimately merged that into another hardware store, which was larger and better located, in Biddeford. Biddeford is a mill town: a large amount of blue collar workers; a large amount of French Canadians who lived down there for jobs. A poor area, industrial, et cetera, but very tiny. You know: 20,000–30,000 population now. I don't know what it was then.

The children, when they spoke of him, described him as being extremely smart; thoughtful; terrific investor; very, very generous—the kind of person who saved people when they had problems, and enormously respected in the community. He invested in real estate, was successful, apparently. And I don't know if he invested in anything else, actually.

One thing I should mention, because when I talk later, as I'm sure you'll ask me questions about these things: Sam, to the best of my knowledge, never graduated high school, and I'm not certain he ever went to high school. His wife, Leah, did go to high school and did graduate, as far as the stories go. And it's also unclear, but at some point, she went to work at the store when Sam got ill. I believe Marion's recollection is that that happened quite early. According to one of the bothers to whom I spoke recently, he said that he got ill from overwork, was hospitalized, and then she had to go to work at the store. And she introduced a lot of things to sell that he hadn't been selling, like some housewares and other kinds of things that would be more appealing to the woman of the house. And they worked together for the rest of their lives, until he prematurely died at the age of sixty-two, as I mentioned before.

01-00:06:14
Meeker: Was it ever communicated to you about their working relationship? About the partnership?

01-00:06:20
Sandler: I don't have any clear recollection about that. My own sense from knowing her and the stories about him is that he was a very thoughtful, intelligent guy—native intelligence, obviously, since he had no education. I would regard her as a very strong, matriarchal figure at the time I met her. A great

impact on the family in ways we could discuss later. But I never saw anything which said this was a really highly intelligent, shrewd businesswoman. Because when I met her, in this little community that it's kind of like being very big frogs in a very small pond, they were pillars of the community, very philanthropic in the community, helpful to people, very well respected. But I never saw anything which we made me say, "Gee, this woman has some fantastic insights, or very thoughtful." Now, I didn't have that much contact, but I knew her well enough that I saw her as a person of great strength. She would not have built the business herself. It was clearly Sam.

01-00:07:54
Meeker: Was it ever communicated to you, the reason for Sam's migration out of Russia?

01-00:08:02
Sandler: There are some stories. I'm not sure any of them are accurate, because—I never thought I'd be doing an oral interview, [laughs] so you just did things because you are interested. But it's possible that he did it to avoid going into the Russian army. I think he was a little too young for that, as I think about it, but that's a story I've heard. A young man going into the Russian army was not anything one would look forward to.

01-00:08:42
Meeker: Was there ever any conversation about the role that their Judaism played in the decision to immigrate?

01-00:08:51
Sandler: It's possible. You know, it's very hard for me to remember. To the extent of the first thing I mentioned about the army is accurate, a Jew in the Russian army is in deep trouble. You are going to be eating things that you are not supposed to be eating; you are going to be ridiculed; you are going to be treated badly. It's bad enough being a Jew in Russia during that time, but especially in the army is something you would want to avoid if you could. But beyond that, I don't know. I don't have any information that I recall.

01-00:09:31
Meeker: Do you know where in Russia he was from?

01-00:09:35
Sandler: I don't remember.

01-00:09:36
Meeker: Okay. Tell me about Leah. I understand she was Lithuanian?

01-00:09:41
Sandler: These could all be apocryphal, because these are people's memories that I'm dealing with. And I believe that's accurate, what you just said.

01-00:09:51
Meeker: And so she was also a first-generation immigrant?

01-00:09:54
Sandler: Yes.

01-00:09:55
Meeker: Do you know when she came to the United States?

01-00:09:57
Sandler: No.

01-00:09:58
Meeker: And do you know anything about the circumstances of her departure or arrival?

01-00:10:03
Sandler: No, I don't.

01-00:10:04
Meeker: When you first met Marion—and we're jumping ahead a little bit—how did she talk about her parents? Perhaps remember back to the time that you were going to be introduced, at least to her mother, since her father had already passed away.

01-00:10:27
Sandler: All five children worshiped their father. I mean, any time any of them spoke of Sam Osher, it was with enormous reverence and respect. So I of course regretted never having met him. But I was struck by how each of the five spoke of him. Of course, in Marion's case, because she was the only daughter, I'm sure that was very important to him. So she had, in addition to the feelings of respect, she had other kinds of feelings being a daughter to somebody who obviously loved her deeply.

The mother was a very strong force. That struck me, and I think it impacted the children's lives in many ways. So Marion at the time I met her was a very dutiful daughter. She spoke to her mother regularly, and wrote her—Maine to New York is not that far, but she wrote a letter at least once a week besides the telephone calls. It never stopped. From the very first time I met her, I was struck by that. I didn't think I would be writing my mother a letter once a week.

But she impacted the family. A very strong personality. Commanding. The oldest son, Alfred, was in love with one of his nurses, who was not Jewish, and had a relationship for many years, allegedly hidden from the mother. I always had the feelings she knew it one way or another. But he would not marry her, obviously for fear of the confrontation with his mother. He did marry her after his mother passed away. Son number two—we'll get to more detail about him later—did in fact marry a woman who was not Jewish, and essentially, he was—she wouldn't talk to him anymore.

01-00:12:54
Meeker: The name of the second son?

01-00:12:55
Sandler: William. And she broke the relationship. And there is more on that we'll come back to later, when we get to the appropriate point in the story.

The third son married a Jewish woman who actually was at Wellesley. I don't know if Marion introduced them or not. I don't think she did, but they were friends.

01-00:13:21
Meeker: Was that Harold?

01-00:13:22
Sandler: That's Harold. And he married Peggy, who is Jewish. And they became the apple of their mother's eye.

Next was Barney. And I'm convinced that Barney had the same problem that Bill did: he met a woman he really liked very much, and I believe loved, but at that time, was not ready to marry her. You know, it's not the kind of thing you discuss all the time, but I think he was very much affected by his mother's views on marrying outside the faith. He ultimately did marry her many years later. She's Swedish; she went back to Sweden, married there; has a daughter. And then one day, she reappeared again. I can't remember whether it was before Barney's mother passed away or after, but it was clearly a major factor.

So her biases, which existed greatly in that generation, had enormous impact on the family. And something that bothered me enormously, because Bill was a wonderful person, and he was being treated differently than everybody else for something that really wasn't outrageous.

01-00:15:06
Meeker: Well, it's interesting you describe this as a "bias" that she had.

01-00:15:11
Sandler: I think it was totally typical. And I think, unfortunately, it carries on to the present time. We see it all around us. We are in a world in which people have very archaic, strange, sad views, which diminish our society. And there's all kinds of Jewish jokes you would tell which relate to—you know, there is the one where the son calls his mother and describes a woman who is not Jewish that he is about to marry. And she's beautiful, intelligent, warm, kind—every good thing. And the mother says, "Don't worry. Bring her over." And he says, "Well, where will we stay?" And I'm lousing up the joke, but you'll get the point of it. And she says, "Well, you two will stay in my bedroom." "But Mom, where will you be?" "Oh, I'll be dead then."

01-00:16:07
Meeker: [laughs]

01-00:16:07
Sandler: You know, she'll kill herself. So that's what's going on here.

01-00:16:14
Meeker: I know that this is a big question, but where do you suppose her biases came from?

01-00:16:23
Sandler: Oh my god, it's historical. You are a historian!

01-00:16:27
Meeker: Right. But did you get a sense that there was any specific personal kind of identifying experience in her life?

01-00:16:38
Sandler: I think they were taught that by their parents, who were taught by their parents, who were taught by their parents. And something like this has to be stopped. It's tribal.

01-00:16:50
Meeker: Well, I guess one of the things I'm getting at is: were there ever any experiences that she communicated to you—

01-00:16:57
Sandler: No.

01-00:16:57
Meeker: —that would have given her reason to be protective?

01-00:17:00
Sandler: I don't know. I don't have any of that kind of detail. That would not be the kind of conversation that I would be likely to have with her. The only kind of conversation I had with Marion was my outrage over the way Bill was treated. And which did come to an end. We did bring them together at some point, which we can discuss later, or now—whenever you want.

01-00:17:25
Meeker: Well, tell me about that, then, while we're on this.

01-00:17:28
Sandler: Well, you have to jump ahead. Mrs. Osher was called "Mamu." I guess that was what one of the grandchildren would call her "Mamu," so everybody called her "Mamu."

The event that took place was when Marion and I went to the West Coast to buy a company, which we'll talk about at greater length later. And so the investors in the company were going to be Marion and myself— [laughs] well, I had no money, so I was getting a free ride—Barney, who was quite well to do at this point—he was running a lot of businesses; we can give you more detail on that later—Harold, and Alfred, and there was a family corporation. Bill had been excluded from all of this. And I was outraged, as was Marion, that people were going to make an investment in a company, and if it were successful, a lot of money would be made, and Bill was being kept out.

And so what Marion did is she got everybody for the first time to stand together on an issue. Because everybody knew it, but nobody wanted to get into a fight with Mamu about that. But this time, they did. And then Bill was given his share, and the family corporation lent him the money, as it did to the other brothers, to make the investment, from which they ended up making a lot of money. And that was the beginning of bringing them together. Because she always did love Bill, but this other thing, the sickness, was in the way. But once that happened, that breakthrough happened, they had relationships, and they went back to a more normalized situation.

01-00:19:44
Meeker: How did that breakthrough transpire?

01-00:19:48
Sandler: Because they stood up to her and said they are not going to accept it, and this was the right thing to do. And then once she did that, then she was seeing him and getting involved with him. And she always loved him. He was an incredibly gentle, kind, decent, wonderful person of great abilities. Everybody would love Bill.

01-00:20:16
Meeker: What you are describing to me is, on the one hand, bias; on the other hand, perhaps, there is also a pride in who the people were.

01-00:20:28
Sandler: Well, yes. Well, it's an amazing family. It is an absolutely astonishing story. This is Americana at its best, and its demonstration of the issues relating to immigration.

01-00:20:45
Meeker: Did Marion ever describe to you the sort of values, the key values, that she was raised with.

01-00:20:54
Sandler: I don't think so. I know what her values were, but I don't think we ever specifically said, "How did this come about?" You know, over the years, later on, people asked us why we did things that seemed unusual to them, and you'd get into a lot of psychobabble as to why one ended up doing this or that, or having these beliefs, the belief system.

And something really struck me, because there was—I was asking one of the surviving brothers, who is ninety-two—tried to get some recollections, and he told one story that struck me, because I have vague recollections of having heard stories similar to that. And that was, he remembers when he was a youngster and he went to the grocery store to shop for something. And the owner wouldn't take his money because, he said, "I won't take your money after what Sam Osher has done for me. He's made the difference in my life, and I won't take your money." And it really struck him. Here is this ninety-two-year-old person telling me a story about when he was eight or ten or

eleven years old, and how it has stayed with him. And I remember, when I wasn't thinking of doing anything like an oral history, casual stories about his generosity and helping people.

I just thought of one story, which is kind of funny, that I've heard. Somebody was trying to get a loan from the bank—the little bank in town—and they told him, "Well, you are a friend of Sam Osher. Why don't you get him to co-sign?" And so he went to Sam Osher, [laughs] and Sam told him—as the story goes; I don't know how accurate this is—that here is what he'll do: he'll give him the loan if he gets the banker to co-sign."

But the point was, in general, he was incredibly helpful in the community, regarded as a pillar of the community. It was particularly the Jewish community because there was a very small number of Jews. One of the problems in town frequently was to get a minyan: to get ten people together to comprise a group that can pray together. And he was a key person, and just gave to every cause—he was very generous. And I think all his children turned out that way. I think all of them were generous.

01-00:24:11
Meeker: Did Marion ever describe any challenges in Biddeford of being a visible, prominent Jewish family in an otherwise—?

01-00:24:24
Sandler: I don't recall stories of difficulties emanating from that. I don't remember that. I think he was well-liked, especially in the Jewish community, but in the community at large, because he gave to things that were good for Biddeford, and he was very helpful to large numbers of people. I kept getting stories, which I was told many, many years ago, but you don't keep listening to those stories, you know? We were married over fifty years, and I heard those stories early on, except for the ones I asked about later on.

01-00:25:00
Meeker: Can you recount for me Marion's educational experiences?

01-00:25:04
Sandler: Yes. Again, remember she's in a poor mill town, industrial town, and the schools there were not very good. A large number of blue collar workers. And that's where she went to school through her junior year in high school, and then either she became sophisticated enough, or learned that she better have at least one year in a much better school. And so she moved up to Portland, which is only fifteen miles away, but she lived with a friend of her mother's who lived in Portland, and she went to a school called Deering High School, which was in Portland. And I guess she did well enough on whatever the requirements of that time were; whether they were grades, whether they had SATs, I don't know. But she was admitted to Wellesley, where she did go to college.

And one thing that struck me, a story Marion told—again, remembering where she came from—she was quite stunned at the beginning, because the other women that she met in her class at Wellesley were so incredibly articulate, or so they appeared to be to her—and very good at argument. And she didn't have that kind of experience, and in fact, was so concerned about it that she was worried whether she could make it in college. Her brother, Harold, told her, "Marion, you are smart enough. Just do the work, and you'll have no problems."

And the culmination of that was, I think she was in her junior year, and you find out whether you—the people who are elected to Phi Beta Kappa are announced at assembly, and on that list of names was Marion Osher. And she was totally startled, because she didn't think her grades were that spectacular. But she found out that she was Phi Beta Kappa. Her father was deceased at this point, but as soon as she got out of assembly, she called her mother. And I'm quoting her mother's reaction, I think, verbatim: "Imagine! You, a girl!" [laughs] And that tells you an enormous amount."

01-00:27:39
Meeker: Well, interpret that for me. What does it tell you?

01-00:27:42
Sandler: Well, that's her view of women, first of all. Of course, that cracked me up when I heard that story, because Wellesley is a women's school and they can't give a Phi Beta Kappa to men only! It has to be a woman! But it was her kind of thing that her ambition for Marion was that she should be a teacher, because then if anything ever went wrong with her undoubted marriage, that she'd have a job to fall back on, and they also had long vacations. There is a great story—I mean, if we talk about glass ceilings later, there are some great stories that I've saved from a discussion between Ruth Bader Ginsburg and Gloria Steinem reminiscing about those years. (I think it was Ruth Bader Ginsburg, or Gloria Steinem), that said that in those days, you go to college to get married.

So mother's view was be a teacher in your aspiration, and not Phi Beta Kappa—Of course, remember: she had two brothers who were—one Summa Cum Laude, one Magna Cum Laude, and obviously, Phi Beta Kappa, that was expected—but not for a girl.

01-00:29:08
Meeker: The way that you are describing it is that the achievement that she accomplished over her life, and breaking through glass ceilings, beginning on Wall Street, is not something that you can attribute to inspiration from her mother.

01-00:29:29
Sandler: No. No, they were much different standards for that. She thought Marion was wonderful, but this is what was expected. And I've got a lot to say on that

subject because I've been giving it a lot of thought in recent years. Not back, way back, but more recently.

01-00:29:49
Meeker: Is there anything you want to share about that right now?

01-00:29:52
Sandler: You might not get to anything else if you ask because I really have been giving a lot of thought to it.

01-00:29:59
Meeker: We've talked a bit about religious identification, and the fact that it was a very small Jewish community in Maine. Was this something that she was raised in? Were holidays celebrated in the family?

01-00:30:21
Sandler: Yes, they were. They kept kosher. Again, I didn't know the father, but they all went to temple on the High Holy Days, at least. Harold and Peggy kept kosher, and actually, after we were married, Marion and I, for a while, kept kosher. My parents kept kosher. That didn't mean that it really meant anything. Is there such a thing as a "cultural kosher" situation, in which it's expected you do it, you've been brought up that way, and you continue it? I certainly did not believe in it. I don't know what the others' feelings were. I know that when they went out to eat, they ate whatever they wanted—and you are living in Maine, you are eating a lot of lobster, which is not kosher.

So I don't know. I can't tell what that really meant, but they were all active in the Jewish community, all active. And I know Harold and Peggy were very—Harold's nickname is "Hy"—Hy and Peggy were very active in their temple activities. Peggy must have been president and everything else in the world. Their children were brought up that way. Ours, not.

Their children were brought up observant, but I don't know if they are still observant today. Our children, Marion and my children, were not brought up that way. We were kosher at the beginning, but since we both worked, we had a succession of babysitters, and you have to be able to teach the babysitters about which utensils to use, and which dishes, and it became far too complicated. And since I had no interest in it, and Marion was really keeping it up, she finally gave up and said this is impossible, and it wasn't fundamental to her view of the world.

01-00:32:36
Meeker: The names that you gave me of Marion and her brothers, were those their birth names, or were those anglicized?

01-00:32:44
Sandler: I don't know. You know, all of us had Jewish names. I even have a Jewish—I can even remember it, although I haven't heard it in a few years. My Jewish name was "Mokta Hesh." I have no idea what the symbolism of that is; I don't

know. But the oldest son was Alfred; I only knew him as "Alfred." The second boy was William; I only knew him as "William" or "Bill." The third was Harold: "Harold" or "Hy." The fourth was "Bernard," who is universally called "Barney." And then came Marion.

01-00:33:25
Meeker: What about politics in Marion's family? Did you ever get a sense of was politics part of her upbringing?

01-00:33:36
Sandler: No, I don't think it was. I don't know enough about it. It didn't come up. But I don't think it was anything critical to any of them. Being in Maine in later years, they would lean Democratic, either because they were Democratic, but also because they were friends with people like Ed Muskie from Maine—it's a small state—and George Mitchell, and others. So I think they were all Democrats, but in terms of being active in any way critical in their life, the only one who would come close would be Barney.

01-00:34:22
Meeker: She attended Wellesley, as you said, 1948 to 1952.

01-00:34:27
Sandler: Right.

01-00:34:28
Meeker: Were her brothers of age to be in the service in World War II?

01-00:34:35
Sandler: Yes. Alfred and Bill were in service. I think Alfred was in the Coast Guard, and I just don't remember how Bill—what he was in. But I'm pretty sure he was in service; I just don't remember.

01-00:34:52
Meeker: You don't know, then, that they had any experience in Europe?

01-00:34:55
Sandler: I don't think any of them were in action. So the children were spaced three years apart. I don't know. I'd be guessing. I don't know.

01-00:35:25
Meeker: I understand that Marion did work at the family business when she was growing up?

01-00:35:30
Sandler: All of the boys definitely did, and they were expected to. I think at least one of them, and probably two, had the ability to break safes, to get into safes. And I do know there were stories where Bill would be called from a school because a store proprietor could not get into his safe, and they would get permission to take him out, at the age of ten or twelve, and he could open the safe. [laughs]

01-00:36:03
Meeker: What—did he use a stethoscope or something? [laughs]

01-00:36:04
Sandler: No! I don't know his method, but he listened to tumblers and he was able to do it. So it's part of the family lore. I've heard this story. I've never seen him break a safe myself. And it's possible that Harold could do that also. And Marion did work, but they didn't have the same expectation for her to do that. If she did it, she did it because she wanted to do it. And I don't know how much time she gave to that.

01-00:36:31
Meeker: Did she ever describe her decision to go to Wellesley? Did she apply to several schools?

01-00:36:35
Sandler: I suspect she did, but I don't remember. I don't remember. And she thought Wellesley was a terrific school. In retrospect, she felt that she would have preferred to have gone to a coed school. But it was a great school. I went to what was a great school at that time, and probably is again today, which was City College of New York. But either I was too young—but whatever it is, I think her education was much better than mine. I mean, she was really quite well educated at Wellesley.

01-00:37:22
Meeker: In the sense of reading, writing, math, or learning the classics?

01-00:37:26
Sandler: Oh, she was a brilliant writer. I mean, she was a fantastic writer. Anything that came out under my name later, if it was well written, you can be sure that she wrote it, [laughs] and that was not me. But she actually understood grammar, and knew all the rules, but yet had a facility of style which was so warm and easy to understand. A great talent.

01-00:37:55
Meeker: You know, I'm curious: in later years, or when you met, or later years after that, did she say that she really imagined something for herself in life that would be bigger than teaching and marrying?

01-00:39:12
Sandler: Oh, yes. Yeah. Marion was a star. I don't think she looked at herself as a star, but she knew she was clearly—she had to know she was very competent. And she was ambitious. She loved retailing. So we left something out; I don't know whether you want to come back to it later or not. But after Wellesley, she didn't go straight to work. She wanted to go to Harvard Business School, which did not admit women at that time. But they did have a program at Radcliffe called the "Harvard-Radcliffe Program in Business Administration" or something like that.

01-00:39:04
Meeker: Do you know if she applied?

01-00:39:06
Sandler: Oh, yeah. Yes. No, she wanted to go. She wanted to go to Harvard Business School, but this was her only alternative, because business schools didn't admit women. But the fascinating thing to me was that she had the same lectures that the guys in the business school had, from the same professors. So just think about that, will you? Professor A is giving a lecture at the Harvard B School, and he walks across the campus to where the Radcliffe is established, and he gives the same damn lecture there. I mean, how sick can you be? Talk about weirdness.

And so she had a terrific education. She loved retailing, and loved it for her whole life. I mean, for her, shopping was a fascinating experience, and I can tell you something about that. But so she went to work at Bloomingdale's. I know I'm getting ahead of this story.

01-00:40:08
Meeker: Go ahead.

01-00:40:10
Sandler: And she was hired as an assistant buyer in Miss moderate-priced dresses. And there are a couple of stories that crack me up. She worked for a woman named Sarah Armstrong, whom I actually met later on, because Marion maintained a relationship with her for many years. And she went to her first showing, I guess on Seventh Avenue—wherever the retail places are where you look at what the new lines are—and Marion was standing behind Sarah Armstrong. And the first group of dresses came out, and Marion thought they were fantastic. Armstrong was shaking her head this way, you know? From side to side. And Marion said, "Oh my god." Well, that happened for dress after dress, and Marion said, "I guess I may have made the wrong choice going into retailing." Until she found out later that what this meant is "I can't believe they are so beautiful." But she was really terrified for those X minutes when that happened.

The other funny Bloomingdale's story is, coming from a small town in Biddeford, everybody paid for everything in cash. But now you are in the big city, at Bloomingdale's, and people are paying with credit cards. And she saw a customer who was very upset, and she said, "If you don't take care of this, I'm going to return my credit card," her Bloomingdale's credit card. And Marion said, "Why would anybody care? So let her turn in her credit card." She didn't understand that was Bloomingdale's methodology of holding the customer. And I think they all went into a tizzy to take care of her. God forbid she should turn in her credit card! That's the difference between Biddeford at that time and New York at that time.

01-00:42:08
Meeker: Clearly, Marion continues to be very interested in retail spaces, particularly through the branches of World Savings.

01-00:42:19
Sandler: But she did move out of retail. I think she did articulate it once or twice, and that was she saw that the women who stayed in it appeared to become very hardened, and that troubled her. And her other great interest was finance, so that's another story.

And then for the rest of her life, she loved shopping. And I hated shopping. It was probably our one incompatibility. And to walk into a store with her for the first few times was a thrilling experience. And a good place to pick is a very big place, like Macy's New York, which is one of the largest stores in the world. So she would go to the area that she was interested in shopping, and she'd walk down the aisles, stop occasionally, pick out something, and just put it there and keep going. And she walked very fast. And I'm [laughs] a fast walker, but not being as interested and not motivated, I'm merely keeping her company, but I'm walking a few feet behind her because she's going so fast up this line, down that aisle, going to the next aisle, so forth and so on.

At the end of all of that, she then goes back to five places where she saw something of interest, and goes immediately to the exact spot. I had no recollection of where the heck we were, but she went to the five spots in which she spotted something that she wanted to try on. That was a mind-blowing experience for me, how somebody could remember everything she saw and know what she wanted to go back to. Had a fascinating interest in that, and later on, she was on the board directors of Macy's California for many years. But something she loved was retailing, even though now she was in the financial business.

01-00:44:24
Meeker: Did you ever let her know that you were observing her do this, and that—

01-00:44:27
Sandler: Oh, yeah. I told her I was amazed by it, and it was always a great pleasure. We made a game out of it, which the children observed many times, and they carry on this tradition. So Marion would go shopping, let's say, on a Sunday while I'm watching a football game, and she'd come back, and then you would hear from the other room: "Fashion show!" And then I would be, let's say, sitting in a chair or lying on a bed watching the TV, and she would come—I can't see her—and you'd hear a knock on the wall, and I'd say, "Enter!" This is tradition over thirty, forty years or more. And she would come in trying on something, and then she'd parade up and down like a model. And then I'd give my comments, and then she'd disappear. Knock-knock, and something else would be paraded in front of me. And it was a really wonderful thing, and my children still do that.

01-00:45:31
Meeker: That's sweet. [laughs] Did she ever describe to you where this acumen came from, her ability to—

01-00:45:40
Sandler: No. No.

01-00:45:41
Meeker: —really read a retail space?

01-00:45:43
Sandler: It's all a mystery to me. I find shopping boring. Of course, I got the benefits of that, because she did all of my shopping, and she did my dressing, in the sense that if I picked a particular suit I would wear, she would always pick the shirt and tie, because I would have no idea what went with what. So to the extent anybody thought I was well dressed, I was dressed by her.

01-00:46:15
Meeker: When she was at the Harvard-Radcliffe certificate program, do you know if this was a full-time—

01-00:46:23
Sandler: Yes. Yes, it was full time.

01-00:46:25
Meeker: Okay. And it was, I believe, a one-year—

01-00:46:28
Sandler: It's a one-year course, right.

01-00:46:29
Meeker: —program? And then that's when she moved to New York City to work at Bloomingdale's, correct?

01-00:46:33
Sandler: That's correct.

01-00:46:36
Meeker: What drew her to New York?

01-00:46:38
Sandler: I think it's the finance center. Well, first of all, when she went originally—that's not a fair comment. She went for the retailing first. And I don't know how much you know about Bloomingdale's of that period, but Bloomingdale's was just way ahead of everybody else in terms of style and class, and the way you showed goods, and the kind of goods you had. I'm told. [laughs]

01-00:47:02
Meeker: Well, you also said that she told you, down the road, that the women who were working at Bloomingdale's had a hardness to them.

01-00:47:13
Sandler: Yeah, that's my recollection of the problem for her.

01-00:47:15
Meeker: Did she describe or diagnose that?

01-00:47:18
Sandler: No, no. And she had a lot of friends. And a bunch of her boyfriends were in retailing also. And a lot of friends in retailing. But I don't know whether it was so much the concern about the hardness of people who had been in the business for a long time, or whether finance always was her core attraction. Because she did major in economics and finance, and that was really her interest. And she clearly was extraordinarily talented in that direction. I was just going to say, her problem is that at that time, as a woman, that was not a place where you would expect to be able to go.

01-00:48:12
Meeker: Well, this is interesting. She finishes Wellesley in '52, and is working at Bloomingdale's. And she had already gone to NYU by the time that the two of you met, correct?

01-00:48:28
Sandler: Yes. Right. But after she was at Dominick & Dominick, which we haven't discussed yet, she went to NYU. While working, she went to the NYU business school at night and got her MBA there, and also was the first woman to win the Marcus Nadler's Money Marketeers thesis award, which was quite a distinction. Marcus Nadler was one of the greats of that time, held in great reverence as a business intellectual, and so forth. And she won that award from him, and he was one of her professors.

01-00:49:06
Meeker: I guess what I'm getting at is did she communicate to you her early frustration when she was at Wellesley studying economics, and I guess political science? Is that what you said?

01-00:49:23
Sandler: No, finance. Finance.

01-00:49:24
Meeker: Finance? Economics and finance. In the sense that, you know, did she say that "I wasn't even entirely sure I was even going to be able to do anything with this in my life"?

01-00:49:35
Sandler: No. Didn't have any discussions like that. No. Marion, you'll find a theme of Marion was that she was an incredibly optimistic and confident person. She always thought there was a solution to every problem or issue. And well, this issue will turn up in a lot of places.

01-00:50:04
Meeker: Where do you think that optimism, that confidence, came from?

01-00:50:11
Sandler: This would come under the heading of "psychobabble." I think with four older brothers, all of whom are quite talented, and hanging out with them—because they all adored her, this cute little thing—that I think that just made her feel like [laughs] one of the boys, and she could do anything they could do.

01-00:50:43
Meeker: Tell me about the life trajectory of her brothers.

01-00:50:49
Sandler: So let's start with Alfred, who was the oldest. Alfred, the things I can remember from conversations and that I know, is Alfred became a dentist, and became a leading dentist in the Biddeford/Portland area. But then he became an orthodontist. And that's really where he rose to prominence, because he was actually regarded as the top orthodontist in the New England states, and people would send their difficult problems to him as the key person to solve it. And he was, in fact, the leading orthodontist. And he also, while practicing in Portland, he taught at Tufts, which has one of the leading orthodontics school on the East Coast. So he was a professional who was the person to whom people came with complicated cases, and he also taught.

During the period when I first met him, he was a dentist, and I do remember he extracted two of my wisdom teeth. And that was an interesting experience, actually, for me. Because we were chatting, and he was putting his hands on my face, and doing this, and so forth. And we were talking and talking, and I said, "Aren't you going to give me some Novocain or something? And he said, "I did that five minutes ago. I'll be ready to work in a minute." What he had been doing is in talking to me and stroking my face, he was distracting me. I never felt the needle enter my mouth. Never. I felt no needle. And secondly, it was a relatively painless experience, and that was an amazing experience. I had many dentists up until that time, but I had never had a painless one. And he just had a special touch with him. That was Alfred.

Now we start to get to the amazing people. Next came Bill. Bill, he was premed, which means you have a very, very heavy course load. This was told to me by Harold; Bill never really told me all of these things. Bill then, in addition to his premed heavy course load, took tons of classes in the humanities, enough to keep a normal person busy, including, I believe, philosophy and Russian, if I'm not mistaken. He won the Latin and Greek prize. He graduated Magna Cum Laude with a course load that would kill most people.

01-00:54:04
Meeker: What university did he attend?

01-00:54:05
Sandler: Bowdoin. Bill and Harold and Barney all went to Bowdoin. There were quotas at that time, incidentally, both with respect to Jews and blacks. Only a handful of Jews and a handful of blacks.

At the time I met him, it was clear to me immediately he had a photographic memory, because he just really could read something, and he could read it right back to you. He was an early expert in computers, so much so that when we bought the company in our early years, he became our key advisor on computer technology, and how to run our operation, which is kind of astonishing. While practicing medicine in Tulsa, where he lived in his early years after he got married, he taught higher math at night at the college. Also, he was one of the first doctors to get—I think this is the expression—"to get his isotopes?" His studies in nuclear medicine. And NASA had attempted to recruit him because he had that strange combination of different expertises: a cardiologist, mathematician, computer, isotopes, nuclear medicine. But he didn't do that. So he was a very unusual, spectacular human being, and wonderful human being. Incredibly kind and gentle.

Next came Harold, who also went to Bowdoin, as I indicated, also during a period of quotas. Oh! Do you want me to continue with Bill? He went further. He went on to medical school. It was hard to get into medical school, because Jews need not apply. Both he and Harold, despite these unbelievable grades from a top university, had trouble getting into medical school. And Bill became a cardiologist.

Harold went there. As of the time he went, he graduated with straight As, which nobody had ever done before at Bowdoin. Had an interesting conversation with the president of the university when the president had him in, and he had his straight As. He says, "Well, I guess we'll have to make you Summa." It was as if "I have to do it, despite the fact that you are Jewish." Stayed with Harold. Still on his mind. He remembers it all these years later.

He became a cardiologist; was the leading cardiologist in New England. He used to fly a little plane, and he would be called out to come to all these places, and he'd fly in his dinky little plane. It was scary as hell; I was up in it once. I forget what you call that when you—catheterize? That was just developing, and he was one of the experts in that, and they needed him to go to all these different places to do that for people.

01-00:57:35
Meeker: So he would fly in as the physician?

01-00:57:36
Sandler: He would fly in if they couldn't come to him, because for the heart conditions, sometimes they couldn't be moved. So he'd fly in in this little thing. [laughs]

01-00:57:47
Meeker: Where did they go to medical school?

01-00:57:49
Sandler: Oh god. Let me see if I have that anyplace in my notes. I think Bill went to Rochester; that sticks in my mind. Harold, I think there's a—maybe Boston, if there is a Boston medical school? And he became one of the leading cardiologists in New England, and I think became either the head of cardiology, or the chief of staff at the Maine Medical Center, which is now an enormous medical center. No, I don't remember.

01-00:58:38
Meeker: With the quota system that you mentioned, with the patronizing attitude at very best shown by the president of Bowdoin, this could have certainly created a sense of anger or frustration amongst most mortals.

01-00:59:08
Sandler: I think they weren't surprised by it, and I never detected that it meant a lot to them. I think it was accepted. You know, people get socialized into accepting discrimination, which is terrible. But you're right. I would be furious if I encountered that. But I didn't detect that.

Barney we didn't mention. He did go to Bowdoin but was not really a scholar. As Harold puts it, Barney got "gentleman's grades." I think he played football. But Barney was always interested in business, and he is the one who ultimately took over the hardware store, went into the wholesale plumbing business—very, very successful—owned an amusement park, owned a zoo, and a whole myriad bunch of other businesses, and then also invested in the market. A very shrewd, very thoughtful, successful businessman.

The others all were very into the profession of medicine. I think Alfred, Bill, and Harold loved what they did. They really thought yeah, they are helping people, saving lives, taking care of people. It was a big deal to them.

01-01:00:57
Meeker: I'd like to move on to your background and upbringing. Is there anything from Marion's early years that you think needs to be covered that we haven't discussed?

01-01:01:17
Sandler: Reserving the right to come back to it later if something tweaks a memory—

01-01:01:26
Meeker: Of course. And we will catch up with her when she goes to finance, and when she starts to work at Dominick & Dominick, and Oppenheimer and Company.

01-01:01:35
Sandler: A lot of things will come out of that. There are only a few pictures of her as a youngster, and just kind of with braids and something, but where she is

receiving an award for something, a local award things. But, no. No. I have nothing further on that at the moment.

01-01:02:05
Meeker: Do you suppose if you knew one another, say, in high school, you would have been friends?

01-01:02:11
Sandler: Well, as I'll indicate later, when we met, she blew me away, and I can explain why now or later—whichever you prefer. Because the meeting is important. Why don't we save that for later?

01-01:02:33
Meeker: We'll save that for later. But, so looking back to high school, she would have been out of your league, do you think? [laughs]

01-01:02:38
Sandler: Well, first of all, she was out of my league at the time I met her, and the time I married her, and throughout our lives. There was something I was going to say, but it's eluding me at the—oh! I had a problem, which will come up when we discuss this. I'll just mention it now.

And that is, both my brother and I went to schools on the Lower East Side of Manhattan, where there was a lot of immigrant children—and we were one of the rare people in that area who had, quote, a "professional" for a father. Our father was a lawyer. So Lenny skipped—my brother Leonard—Lenny skipped five times, and I skipped four times. And if you wait a minute, I'll get to that, because—but in answer to your question, so by the time I'd be in high school, I'd be two years younger than everybody else. And who knows what effect that had on me? At the time, it was very exciting to get that kind of playbacks that I'm skipping all the time. But there are negatives associated with that.

01-01:04:05
Meeker: It isolated you?

01-01:04:07
Sandler: Well, I mean, I had lots of friends, but all my friends were two years behind me in school. And my school friends—I was two years younger than them, and to go through your period when you reach puberty that way is kind of a little rough. I was terrified of girls. Which we'll talk about, I'm sure.

01-01:04:32
Meeker: Well, you already said when and where you were born. Why don't you tell me a bit about your parents?

01-01:04:40
Sandler: What I know of my parents is on my father's side, he was born in New York shortly after his parents immigrated to the US. They were from Russia. To the best of my knowledge, my grandfather was a barber; I never met him. I believe they were divorced—this is my father's parents.

My grandmother on my father's side, I have very strong recollections of as a very—it doesn't mean they're accurate, incidentally, because these are childhood impressions—a very powerful immigrant woman of peasant stock, peasant background, who was very tough, and rough. There is a scene, either in my memory or it was told to me and became my memory, of her abusing my mother in some fashion, and my running after her with a broom. Now, I believe I have that recollection, I believe it's accurate, but I recognize it's possible that that may have been told to me and I have made it a memory, and it never existed. But I do have that memory.

On my mother's side, quite different. That's a traditional story of the immigrant population of that time. There were five children. The oldest was a woman, then there were three younger brothers, and then my mother was the youngest. And what happened is the oldest boy immigrated to the United States, worked, and as soon as he put—they lived very cheaply. And what he then did when he made enough money is that he brought over the oldest person, who was the daughter, and the next oldest brother. So now there were three of them in the US, working. And then after they made enough money, they brought over the next brother, my mother, who I think was about six when she immigrated, and the parents, who never spoke English. And then now, my mother was much younger, so it would have been four people working: the oldest girl, three brothers, supporting my mother and her parents.

01-01:07:45
Meeker: Do you know what industry they were working in?

01-01:07:47
Sandler: I remember at different times—and I'll tell you how I remember—they were in the butter and egg business, and I think a couple of them may have worked and later owned bars and grills. I remember the butter and egg because as a child, once a week—I think on a Wednesday—the oldest son had a butter and egg business on the Lower East Side, but a little further up. So we lived all the way down, close to the East River, and he had a business on—I'm not sure I have the address right—Avenue B, let's say, and Sixth Street—something like that. And my mother would take me on the bus, and she would have cooked cabbage soup and flanken—beef—for his lunch. Every week she would make that. And then he would teach me how to candle an egg, which is how to look at the egg to make sure that there wasn't anything wrong with it, that something hadn't grown in there. And so, remember, we are dealing with a long, long time ago. And I do remember that. Not much else, but I remember that.

01-01:09:01
Meeker: Was your mother's family from Russia as well?

01-01:09:04
Sandler: No, I think they were from the so-called Lithuania—you know, Austria has changed hands so many times that you don't know what's what. But I've

heard in my head "Austria," but I don't know what Austria encompasses. And I'm not sure my mother ever knew what Austria encompasses. Towards the end, I asked my mother a lot of questions, as you are asking me now, and I found out for the first time that her father was a farmer on a shtetl. On a shtetl. And she remembers her father wringing the necks of chickens. That's her childhood frightening memory. So that's the first time I learned that, was in the last few years of my mother's life. Had never told it to me before; I had no idea.

They were a very, very, very close family.

01-01:10:04
Meeker: Your mother's family was?

01-01:10:04
Sandler: Yeah. The five siblings remained close for the rest of their lives. It was kind of amazing.

01-01:10:13
Meeker: What did your mother make of her life? Did she go to high school?

01-01:10:18
Sandler: She went to high school, and that's it. And I don't know if she met my father at—I don't know when after high school. I guess she must have been working someplace. It never really came up in conversation. And they were married. My brother is five years older than I was. She was, I would say, a nervous—they were incredibly loving. My mother was unbelievably loving and unbelievably overprotective, to the point of neuroticism, I would say. My brother suffered the consequences primarily from that.

My father was warm, loving, charming. My mother was literate. They were both literate. They both read. My father did not go to college. In those days, you would go to law school if you went through some kind of preparatory arrangement. So he went to Fordham law school at night. He was a male stenographer. Always complained to me that I couldn't type fast enough. That would be very important. And I didn't know shorthand. I didn't have those talents. And of course, when computers came around, I had to say for a while, "My god! My father has won! If I could type really fast, I would be really—instead of hunt and peck, I could really be something!" [laughs] But I think I had the last laugh, because my granddaughter and others taught me how to use the Dictaphone on the computer now, so I can go back to dictate, and my slowness is no longer a failing, problem for me to deal with.

01-01:12:11
Meeker: Fordham is a Catholic school—is that correct?

01-01:12:13
Sandler: Yes, it was. You have a good memory. Yeah. Good for you.

01-01:12:16
Meeker: Well, and so he didn't have any problem being enrolled at Fordham law?

01-01:12:22
Sandler: I don't know anything about it. I just know he went to Fordham at night.

01-01:12:27
Meeker: So where were you raised? Where was your home?

01-01:12:32
Sandler: I was born in the Bronx on Walton Avenue, wherever that is. I know it's within sight of the Yankee stadium. But at the age of two and a half or three, we moved to the Lower East Side, which is the real melting pot.

01-01:12:48
Meeker: Yeah. And people don't usually move to the Lower East Side.

01-01:12:51
Sandler: Yes. He did it, as I understand it, because he wanted to become active politically. His dream was to be a judge someday. And I'll tell a lot of stories, or some stories, about that. He moved down, it was to the Alfred E. Smith Democratic Club on the Lower East Side.

When I say "the Lower East Side," people say, "Do you mean"—usually, they'll ask me, "Oh, do you mean Sixth Street?" And I would say, "That's uptown." And they'd say, "Were you at Houston Street?" And I'd say, "That's uptown." And then they'd ask me, "Well, Delancey Street?" And I said, "That was uptown." And then they go to East Broadway, and I'd say, "That was uptown." I was all the way down just two blocks off the river. So I'm the lower Lower East Side.

01-01:13:40
Meeker: So that's near the City Hall?

01-01:13:42
Sandler: I'm below City Hall. City Hall is a little bit on the West Side, but very close. I could walk to the City Hall from my apartment.

01-01:13:54
Meeker: What street was this?

01-01:13:54
Sandler: Cherry Street. Cherry, Monroe, Market, and Catherine were the four streets surrounding our building. Our building was one of the very early projects, which was a thirteen-story building, elevated, very large, occupied a whole square block, income limitations—only for people whose income was below a certain level. Surrounding us as far as the eye could go, all five-story walk-ups. You didn't have refrigerators then; you had iceboxes. I would lean out the window and watch people, with a canvas over their shoulder and those big tongs, delivering big blocks of ice to go into somebody's ice box. Lots of lines

of clothes drying. Like today, you would see that in foreign movies. You don't see it anymore. That was what I saw from my window.

01-01:14:47
Meeker: It reminds me of Jane Jacobs' description of—

01-01:14:49
Sandler: Oh, Jane Jacobs writes all about this. I'm right in the heart of what she writes about. I'm right in the heart of *World of Our Fathers*. I mean, this is it. This is the immigrant story.

01-01:15:03
Meeker: Well, you said it was a melting pot. What other ethnicities were surrounding you?

01-01:15:08
Sandler: In my immediate area were Jews, Italians, and Irish. We were four blocks south of Chinatown. I do visit regularly down there to remember these things. And Chinatown has now expanded, and my building is largely Asian population. My friends were Italian, Irish, Greek, and Spanish—my best friends, the people I hung out with.

01-01:15:39
Meeker: Not Jewish?

01-01:15:40
Sandler: Some Jewish, yes, from the building, Jewish. But in school, mostly the others. That's why I've always been comfortable with people from widely different backgrounds no matter what. And then when I came out of the Army, there had been an enormous immigration of blacks and Puerto Ricans. So it became a melting pot with different people part of the melt. Which was wonderful.

01-01:16:08
Meeker: It really is a quintessential American story.

01-01:16:11
Sandler: I actually had an extraordinary experience last summer or the summer before last. I have a cousin still in New York, and he said, "You know, I have never been to your building," because he is much younger. His mother was my cousin, and he is a son. And he said, "I'd like to see your building." So we went to eat at Russ and Daughters. You've heard of that place?

01-01:16:34
Meeker: No.

01-01:16:35
Sandler: Oh, a famous place. We used to get pastrami, corned beef, and also whitefish and salmon, and stuff like that. But they opened a restaurant, a little restaurant.

So we ate there, and then we took a walk. And walked right by areas where I used to hang out, where I went to junior high school, and then where I went to public school, which is a big hole now. But what I saw were the stores. The same stores, tiny stores, holes in the wall, exactly as I remembered it, with one difference: instead of Jews, Italians, and Irish, they were Asian. And I thought it was the American immigrant experience. The same kind of people, trying to make a living, working hard to educate their children, selling different kinds of goods, and it had a different color, but it was the same thing. It was the same thing.

01-01:17:42
Meeker: When you were growing up in your household, was the fact that you were a first-generation immigrant, was that part of the family discussion?

01-01:17:56
Sandler: No. No.

01-01:17:57
Meeker: Did you see yourself as an American?

01-01:18:02
Sandler: Yes. To the extent I thought about anything at all other than basketball or some silly game. You don't think about those things. The only thing that was a little different about us is in our family, unlike many of the families who lived in the adjoining five-story walkups, an enormous amount of reading. Reading was something. There were books, always books. Always we're reading books. Always going to the library and reading books. My father read books, my mother read books; my brother read unbelievable amounts of books. So that was an advantage in—

01-01:18:39
Meeker: What were your friends doing?

01-01:18:42
Sandler: Well, the ones who moved in our building, there were more professionals there, and those were, again, Jewish, Italian, Irish. The ones who lived in the other buildings around, I don't know if you have been in a tenement, have you?

01-01:18:54
Meeker: No.

01-01:18:55
Sandler: Very dark. One of my closest friends was Mario Bonfiglio. They had around six or seven kids. And I remember every time I was there, I was struck by the darkness of it. There was no light. There was no light. And so I really don't know what it means, don't know what significance it had, but it definitely affected me. My apartment was so light. I was looking on the East River. I have a friend today who lives on Sutton Place, one of the most expensive places in New York. Has this view out the window. I had no money, but I had a better view than they had, because I had the Brooklyn Bridge right in front

of me in the river, and we paid nothing [laughs]. And she is paying—I don't know what she is paying, but it's a lot! And I know every time I'm there, I say, "You know, Shelby, I didn't have to pay for that." [laughs]

01-01:19:53
Meeker: You said your father was an attorney. What kind of law did he practice?

01-01:19:59
Sandler: It was a very small practice. He did some litigation, be it criminal or negligence. But his primary business was the buying and selling of small stores, like small grocery stores, luncheonettes, candy stores. That business funnels through a bunch of brokers, and if you have a relationship with any of these brokers, you get a certain amount of business that they recommend to you. And then after a while, these people typically—it's another interesting social comment—they buy a business, they build it up, and then they sell it. And then they go buy another business.

I remember the name of one of the clients—god, this is sick I can remember this—Harry and Ida Beckerman. And they would buy a grocery store which was not doing well, and he was a very good businessman, and he built it up. And then he would sell it. So my father represented him when he bought it, and my father represented him when he sold it. And then he would go buy another one, so he would represent him when he bought the new one. And he made a good living at it.

Although, I also learned something else which comes into play frequently. So, although Ida worked in the business, Harry did all the negotiating. But she always second-guessed him as to why he gave on this and why he gave on that. The person who is not there doing negotiating doesn't know what you're giving up and what you are trading; they only know what you gave up. "What a dummy! How could you do that?" And I learned a lot about people from that.

01-01:21:50
Meeker: Did your father bring you into his business at all, in the sense of letting you know what he was doing on a daily basis?

01-01:21:56
Sandler: During the summers, I hung out there. He gave me things to do, like dusting books. But obviously, I was there, I heard what was going on. My father didn't drive, and I guess when I was whatever age it was—seventeen or eighteen—we got a car, and I would drive him on weekends or nights to places where there'd be business deals, and I would listen to that. And I did learn a lot, primarily a lot about people, and certainly something about the business.

Later on in the story—unless you want me to jump ahead—is there came a time when he was appointed to the judiciary, and he had this small law business, and the question is whether we would just let it die, or my brother or

I would take it over. My brother had zero interest, and for reasons I am not certain of, I thought I would keep the business going. We'll talk about this, I think, in more detail later—my father lost the election, and I ended up in partnership with my father. Which was not contemplated.

01-01:23:15
Meeker: Did you continue to reside in the Cherry Street apartment?

01-01:23:19
Sandler: The building I lived in was called Knickerbocker Village; its reputation in part because Julius and Ethel Rosenberg lived there as well.

01-01:23:31
Meeker: Wow. And that was roughly at this same time, right?

01-01:23:36
Sandler: Yeah. During that period, certainly. Yeah. Because we must have moved there in 1933 or 1934.

01-01:23:43
Meeker: Did you know them? Did your family know them?

01-01:23:44
Sandler: No, no. Didn't know them.

01-01:23:52
Meeker: How long did your family stay at the Cherry Street apartment?

01-01:23:56
Sandler: Well, they stayed there for many years. I didn't move out until I married Marion.

01-01:24:01
Meeker: So you could actually stay in this apartment as a professional?

01-01:24:04
Sandler: There were two bedrooms, and a kind of a small—what we'd call today a "family room," but much smaller than what you see in a house. My room had this incredible view of the East River.

01-01:24:19
Meeker: But it was, you said, public housing, but it was also available for—?

01-01:24:22
Sandler: It was under some plan. Mitchell Lama is my recollection, but I'm not sure that's right.

01-01:24:29
Meeker: So it was more of a subsidized housing arrangement?

01-01:24:30
Sandler: It was subsidized. Right, right.

01-01:24:34
Meeker: Tell me about your education.

01-01:24:36
Sandler: So as I told you earlier, I went to a school across the street from Knickerbocker Village, PS 177, through the sixth grade, where I skipped, as I told you, four times. I remember once, in the middle of a semester, I think I was in 2A, and they suddenly told me I was in 2B, and I had to open a door into the next room, and I was suddenly in another class. So that led to my being younger than others for the rest of my scholastic life.

I went to a junior high, Charles Sumner Junior High, PS 65, through the first year of high school, seventh, eighth, and ninth grades, which are typical in New York. I then went to Stuyvesant High School, which is a well-known school. I think the two leading schools in New York at that time—maybe today—were Stuyvesant and the Bronx School of Science. I don't know why I went there, because most people who went there liked math or science; I didn't have any special interest in that. But I did.

And then I went to City College, CCNY, and that's really very important. And I actually literally read an article yesterday by David Leonhardt in the *New York Times* referring back to the days of City College, known as the Harvard for those without money. Because at that time, CCNY in the ratings, every single discipline, they were one, two, or three in the country. I'm talking about including Harvard, Princeton, Yale. And here is this school for which I paid nothing—nothing, zero. I think I paid $2.40 to become a member of the government organization. You had to do that. Other than that, I paid nothing, and I went to a school that was one, two, or three in every discipline. Unfortunately, I was too young to really get the most out of it, but it was a great, great school.

Frankly, Berkeley had been, until the recent tuition increases, very much like that. Berkeley has ratings at the top on almost every discipline. But now you are paying money. And that's an incredible act of stupidity on the part of government not to understand the importance of that, because the wealth that was created by the students who went to City College and to Berkeley are great multiples of the cost of having given them the funds so they didn't have to pay to go there.

01-01:27:36
Meeker: Was there ever any other option for you other than City College?

01-01:27:40
Sandler: Never considered it. I mean, it's really weird and hard to understand for me, as well as anybody else: through law school, I never thought of the next step. It was like, automatic. I had to go to public school, right? Well, when they finished at the sixth grade, I had to go to junior high, didn't I? I never gave a thought to anything—I just went. Well, after that, you have to go to high

school. I think I did take a test. And I went to Stuyvesant. Well, I said, oh, City College? I don't have any money. My brother went to City College. I went to City College. My brother went to Columbia Law School. It was the first time I paid for school in my life. And my father, really, I think it was tough for him, because of other problems he had, which we will discuss.

And I never thought. I didn't make a decision. I didn't say, "Well, now, what shall I do next? Where am I going? What is my life all about?" I was fifteen and a half. I didn't know about anything.

01-01:28:50
Meeker: What were your passions?

01-01:28:52
Sandler: I had no passions. I played basketball; I played stickball; I had a lot of friends; I read. Nothing.

01-01:29:03
Meeker: What did you read? Were you a fiction or nonfiction? All of the above?

01-01:29:09
Sandler: Everything. I would go into a library, and I would start on the left-hand—So I had a mythology period. And our public library was about five or six blocks away, on East Broadway. And I would walk there, and I would start at the left-hand part of a shelf, and I remember, I read every book on mythology they had. If I recall—I'm not sure this is right—you had a card, a library card, and you would take out four books—whatever the limit was. And I'd read them, and I would bring them back. [laughs] The next four books, I went down the aisle. And I did that all my life.

I remember in the service, I was in Alaska for a period, and I did the same thing there. I remember I hadn't read too much Hemingway before then, so I started with Hemingway, and I read everything they had on Hemingway in that library. And then I went to the next author, and to the next author. Because you could read late at night. I was there during the summer, so you could read by natural light at midnight. And I did until I fell asleep.

01-01:30:19
Meeker: Did your family have a radio growing up?

01-01:30:21
Sandler: Yes. Oh, certainly. A radio we had. TV? No, not until much later than other people. Yeah.

01-01:30:28
Meeker: And was that something that the family would enjoy together?

01-01:30:32
Sandler: Fred Allen. I just thought of a story. There was a program called *The Shadow*. I don't know if that's in your time. And, "Who knows what evil lurks in the

hearts of men? The Shadow knows." And so I used to think "The Shadow knows" meant his nose. I didn't know that it was K-N-O-W-S.

But the other thing that was funny was, is many years later, we are now running a savings and loan business. We were in a world in which what you could pay on savings deposits to attract customers was regulated by the government, so everybody was paying the same thing most of the time. So people came up with twists as to how to attract deposits. And what Marion did is she brought back the old radio shows. We went and searched out tapes that they had of these old—*Fibber McGee and Molly*—and one of them was *The Shadow*.

Now, when I was listening to it as a child, it said, in New York, "Blue Coal presents *The Shadow*." I always thought that was the name of it. I didn't realize that Blue Coal was the product advertising. I thought the name of it was *Blue Coal Presents the Shadow.* So here I am; our company's name at that time was "Golden West Savings," presenting *The Shadow*, and there was something missing in the title! They left out the "Blue Coal!" [laughs] So that was a very weird experience.

01-01:31:58

Meeker: Were these advertisements that were based on *The Shadow*? Was that the idea?

01-01:32:22

Sandler: No, they were whoever was advertising it. Blue Coal? I didn't know what Blue Coal was from a hole in the wall. I thought it was part of the title. *Inner Sanctum*, we did *Inner Sanctum*. We had *Fibber McGee and Molly*, *The Shadow*. And we learned something very interesting. We got incredible letters of appreciation from people who couldn't get out, for example, people who were blind. And just profuse gratitude. This gave them something to do, and it also brought back a lot of memories. Very emotional, incidentally, and very moving. Anyway, that was just a coincidence.

01-01:32:46

Meeker: Your friends in high school, you had mentioned the Irish, and the Italian, and the Greek. Do you know what became of them? Did you stay in touch with any of them?

01-01:32:58

Sandler: I did for a while. So my Greek friend was George Patsaverous, and I don't know. I always thought he was going to become a famous architect. My Spanish friend was Fred Server. The one I stayed in touch with the longest was Mario Bonfiglio. It was funny. Most people don't understand why I can pronounce Italian names. It's because I had Italian friends. Because "Bonfiglio" is spelled B-O-N-F-I-G-L-I-O. People don't know that the G is silent. So the G is silent. So [laughs] it gave me an advantage.

01-01:33:33

Meeker: Did you ever attend church or experience holidays with them?

01-01:33:39
Sandler: No. [laughs] Lucky if my parents could get me to go to synagogue.

01-01:33:46
Meeker: Did you go to synagogue?

01-01:33:47
Sandler: On the High Holy Days, I was pressed to go to synagogue, both by my parents and my wife.

01-01:33:55
Meeker: So you weren't, like, a natural believer, it sounds like.

01-01:33:58
Sandler: No, I am not a believer.

01-01:34:01
Meeker: What did it mean to you, if anything—

01-01:34:05
Sandler: I didn't think about it as much in those days. But I am one of those who thinks the world's problems are exacerbated by superstition.

01-01:34:23
Meeker: And that's how you see it?

01-01:34:25
Sandler: Yes.

01-01:34:27
Meeker: A lot of people talk about, you know, setting aside the belief side of it, and embracing the culture.

01-01:34:35
Sandler: Yeah. Well, I think there is something nice about that, especially if it leads one to do good acts and think kindly, and have compassion. But some of the culture doesn't really work that way, does it? What does the Inquisition teach us? What was the point of Marion's mother's views on religion? How did that impact her family? It is a nice feeling to sing together; that's nice. But a lot of things that go with that are intolerable to me.

01-01:35:33
Meeker: You had mentioned that in the immediate community surrounding you, education and reading was something that was valued. Did you link that to the Jewish community in the Lower East Side?

01-01:35:46
Sandler: Never really thought about it. You know, it's hard to remember what I was thinking about in those days. But being thirteen, fourteen, fifteen, I think just reaching puberty was [laughs] enough of a problem to deal with, particularly since, at school, everybody was older than I was.

Just a minor anecdote. Stuyvesant was a boys' school, and already I'm younger than everybody, and I'm, you know, fearful. And had no experience at all with girls or women. And I remember going to City College, and your classes that's dispersed around three or four blocks. And one of the buildings, it used to be called Army Hall. And I have a very clear recollection that in that class—City College had a small number of women; not a lot, but a small number of women—and there was a woman in an orange sweater in the first row. And I discovered breasts. Because I'm now still not sixteen. And everybody around me is eighteen-plus. Actually, when I went to City College, the vets were starting to return. So there are veterans, who are much older, and everybody else is older. And I have no experience. So when I see this woman, this voluptuous woman, and I didn't hear the lecture for the first X number of weeks, because I was just stunned by this new discovery that I had made.

01-01:37:33
Meeker: So you started college when you were sixteen?

01-01:37:36
Sandler: Before I was sixteen. I was sixteen in November, and I started college in September.

01-01:37:46
Meeker: I can imagine how that would be a formative, challenging experience.

01-01:37:51
Sandler: Yeah. You know? [laughs] Yes.

01-01:37:54
Meeker: Were people somewhat patronizing toward you?

01-01:37:58
Sandler: I don't think I was maltreated in any way, but I was clearly a kid.

01-01:38:03
Meeker: You were a curiosity?

01-01:38:04
Sandler: I don't know. I have no recollection of any peculiar thing, except I was just younger than everybody. And skinny, and insecure. Yeah.

01-01:38:22
Meeker: You know, in addition to being awakened to women, can you look back and identify the moments where you started experiencing some sense of maturity? Yourself as a man?

01-01:38:42
Sandler: [laughs] Yeah. Maybe I haven't reached that stage yet. You know, I don't know what the picture is of me from my friends. And over the last X years and talking with some of the people I was friendly with in law school, they have recollections of me being very confident. And I have no recollections of

that. I never felt confident. I meant, I felt I was an okay person. Yeah. I felt I was a good human being. But I wasn't a deep thinker. My brother was a true intellectual, and very special. But I had no sense of being anything special.

I think a good experience I had when my father was a judge during that eleven-month period and I was handling the law practice myself, I do remember in one transaction, I did something which was the correct thing to do in a transaction, where an error was made which was going to benefit us to the detriment of somebody, incorrectly. And I didn't permit that to happen. And I remember an attorney saying something that "I guess the apple hasn't fallen far from the tree." And I remember that was very meaningful to me. In retrospect, my father was a really good person, but a very foolish man with a terrible weakness. But that meant a lot.

The other experiences when I started to understand I had some talents is when I was working at my first job after the Army, at the Waterfront Commission of New York Harbor. And I realized then that I had a clear mind, and I was a solid person. And then those experiences were increased after meeting Marion, because I became the attorney to one of her former boyfriends. And there were some complicated things there, and also some complicated things in a trust her father had left her. And in handling those, I realized that, hey, I am really pretty good. So there are experiences like that which we can talk about later if you think they are important enough.

01-01:42:07
Meeker: Did you go through a bar mitzvah?

01-01:42:10
Sandler: Did I have a bar mitzvah? Yes, I had a bar mitzvah, on Henry Street in the Lower East Side. I do have a recollection of it which I laugh at now, because at the end of the bar mitzvah and after giving the speech, the rabbi said to me, "Oh, you should be a rabbi." That really impressed me, but it wasn't until many years later I realized he says that to every [laughs] bar mitzvah kid. It's just part of the con of that!

01-01:42:41
Meeker: [laughs] Trying to recruit.

01-01:42:42
Sandler: Yeah. It's a lot of baloney.

01-01:42:45
Meeker: Did that experience mean anything to you, in the sense of being introduced to your community as a young man?

01-01:42:52
Sandler: That's another phony experience, in my opinion. And it's good, because you have to study. It's part of the culture. Most of these kids don't have any understanding at all of what's going on. Now, there are rare exceptions, and I

did go to a bar mitzvah—I don't know whether—did you speak at all to Robert Post? Was he on the list?

01-01:43:28
Meeker: Yes, we did have a conversation.

01-01:43:23
Sandler: So Robert Post's son had a bar mitzvah; he was one of my favorites. And he is an exceptional young man. And his bar mitzvah speech was a dialogue with God, in which he, Sasha, makes a statement, and the Lord then says, "But Sasha," and he gives the counterargument. And then—this is all Sasha talk—and Sasha says, "Ah! Yes! You have a point there! But let me respond." And he says have you considered this, that and the other thing? This thirteen-year-old kid, as if he's twenty-five, is having a serious discourse about whatever it was. I don't remember anymore. But I remember everybody in the temple was—their mouths were open. [laughs] "Who is this kid?"

Other than that, they're all childish activities by children who are totally unformed, and they are a process you go through, and there's probably nothing wrong with it. It doesn't hurt anybody. But nothing that's meaningful to me.

01-01:44:47
Meeker: You had mentioned that your father did run for a position on the judiciary, or on the court. How were you introduced to politics growing up?

01-01:45:07
Sandler: Well, my father belonged to this Alfred E. Smith Democratic Club, and they had club nights Mondays and Thursdays, and the process there. And I would occasionally go with him for the early part of the evening. And what you did in club nights and Democratic Party is people from the community who needed help would come in, and they actually performed a service which is terribly missing today. That was the good part of what took place there.

01-01:45:37
Meeker: It sounds a bit like the old machine system in some ways.

01-01:45:41
Sandler: It is the machine system. My father was an organization politician (my brother was a leader of the reform movement to throw out the organization). So he would go, and they would perform services. And it was meaningful. And they would repay with their vote.

01-01:46:01
Meeker: What kind of things did people request?

01-01:46:03
Sandler: For rent problems; all kinds of difficulties. The lawyers especially were in demand, and they were really performing a serious public service. That was the good part of it. The bad part of it is what the machine did later. There is a

great book. You might want to read *Plunkitt of Tammany Hall*. It's a great book.

01-01:46:30
Meeker: Well, that's in the decades before this was—

01-01:46:33
Sandler: Yeah, but it gives you a feel for it. It's a wonderful book.

01-01:46:37
Meeker: Did you get any sense of the ideological dimensions of politics at this point?

01-01:46:42
Sandler: No, not until later.

I do have a story not perfectly fitting here, but the election played a part in my relationship with Marion, incidentally—I'd like to hold off on that. But I do want to talk about an experience with my brother and I. And one day, we were walking in the village, Greenwich Village, on Eighth Street. I don't know if you are familiar with that area. In those days, there was a bookstore right in a particular corner just off MacDougal Street. And there was a guy on a soapbox. Now, at this point, my brother was a leader of the reform movement. And the guy on the soapbox was arguing for some time—we listened to the whole pitch from the time we got there—for the election of a fellow named Jim Lanigan, who was the reform candidate. The club was the Village Independent Democrats—to be assemblyman.

And when he finishes after being up there fifteen, twenty minutes with a crowd around him, my brother asks a question. He says, "Isn't it true that the organization candidate, Charles Kinsolving, has a much superior reform record than the reform candidate Jim Lanigan?" And the speaker hesitates a moment, and he says, "Yes, that's true." Which destroyed everything he had been saying for fifteen minutes to a half-hour. So essentially, he is saying to the crowd, "Disregard everything I said. The real reform guy is Kinsolving, not the guy I'm for." And that guy was Ed Koch.

01-01:48:54
Meeker: On the soapbox?

01-01:48:54
Sandler: On the soapbox. We had never met him before, and that started a friendship that lasted forever, until my brother died. My brother swore Koch in three times, and they were best friends, except my brother would get into fights with him regularly because of the things he would say about racial issues. And my brother, who was a very gentle person, would go into a fury but it would be a screaming match. They wouldn't talk for a couple of weeks, and then they'd go back to their regular schedule of having dinner. They always had Chinese food together, and then they went to a movie every week. But that's an unusual way to start a friendship, is to rip the person apart. And Koch to his

credit, did something that rarely happens: he gave an honest answer against interest.

01-01:50:04
Meeker: After this confrontation, did he get off his soapbox, and your brother and him—

01-01:50:08
Sandler: Yeah, they chatted bit, and then they became friends.

01-01:50:14
Meeker: You know, several people I spoke with on background describe your passion for right or wrong, for the underdog, for fighting for the interests of the person who is being taken advantage of by people in power. But no one was really quite sure of where this comes from. And, well, let me just ask you: have you thought about—

01-01:50:45
Sandler: Yeah, I've thought about it.

01-01:50:45
Meeker: —where does this come from?

01-01:50:46
Sandler: Of course, you are not the first to ask that. A lot of people have asked that, and again, it's hard to understand. I do know my father was extremely compassionate, and always on the side of the underdog. I don't think he would have brought the intellectual reason for it; it was an emotional thing with him. Did that have an impact on me? I don't know.

I will tell you another amusing anecdote. My brother was interviewed—and we'll talk more about him whenever you want, because there are some interesting things there. But there's something in this interview that's very germane. So first of all, you have to understand what he was like. He was A) an intellectual; B) very quiet. He spoke in a very, very soft voice. You had to lean forward to hear him. Even in court he would do that, and everybody would be leaning forward. And I was in court once when somebody was acting out a little bit, and all he did—pretend it was you—he would say, "Oh, Mr. Meeker"—and the guy immediately subsided. You go into other courtrooms, you'll hear judges screaming, and he did it with this quiet and gentle way.

And the reporter, or the person who is writing this story, asks him, "Judge Sandler"—after commenting on his gentleness—"is there is anything that gets you excited or upset?" And Lenny answered, "Yes: the abuse of power." That really hit me.

01-01:52:58
Meeker: Well, just to finish that thought, you talk about your father's compassion, and maybe this is where some of your belief comes from. But the way that you describe it, it sounds like at least as much of it might have come from your brother and his influence.

01-01:53:16
Sandler: My brother had a big influence on me. He was very special. But where did he get it?

01-01:53:22
Meeker: Well, did you ever see him become vociferous and angry about something that he saw as an injustice?

01-01:53:30
Sandler: Yes, yes. Let me see if I can find it. He was known as the conscience of the district attorney's office: the one person who not only knew the law better than anybody else, but who could understand things from the defendant's point of view. There is a wonderful quote in an editorial in the *New York Times*. So he had been appointed a municipal court judge, and the supreme court—the highest trial court—and then he was appointed a special judge, which was a judge who is assigned to hear all the racketeering and mobster cases.

And he was preceded by a fellow named Judge Murtaugh, who died of a heart attack, and Governor Carey appointed my brother to the position. So he was really very much in the limelight. And the prosecutor, the prosecuting attorney, during this period was somebody named Maurice Nadjari, who was a colleague of my brother when he was at the district attorney's office. So they knew each other well. But Nadjari was a killer. All he was interested in is the conviction, justice be damned.

So that's the background to an editorial in the *New York Times*, which says, "Keep Mr. Nadjari Retired." And it has the following statement: "Justice Sandler, who has an impeccable reputation for legal scholarship, integrity, and industry, was deemed, quote, 'the conscience of the office' when he served as an assistant prosecutor under Frank Hogan, and was always capable of understanding the defendant's point of view. The contrast between Justice Sandler and Mr. Nadjari, who once suggested that obtaining a conviction might be as satisfactory an experience as lovemaking, is between what the law ideally ought to be and what in practice it too often turns out to be." There is a lot in that.

01-01:55:51
Meeker: There is. Well, you know, in addition to your brother's influence—and it sounds like you two were of the same cloth, quite clearly—do you recall any examples of gross injustices that you witnessed growing up—

01-01:56:16
Sandler: Oh, all the time.

01-01:56:16
Meeker: —that would have anything that would have made you respond in a visceral way?

01-01:56:26
Sandler: I can't think of anything at this moment, except Lenny and I would be in continuous stages of outrage. See, this is something you think about. We are all creatures of evolution. And why is it that some subset of the population has compassion and care about others, and some—witness our president, who his whole life had only one all-consuming interest—namely, himself. How do we evolve? How can there be such a difference? How can somebody be without compassion or concern, or interest in others? And totally consumed by his own gratification? And others who are always thinking about what's fair and right, and caring about others? I don't get it. Do you?

01-01:57:34
Meeker: No, I don't. And it's something, of course, that is troubling, I think, to all people who like to think of themselves as compassionate. As part of your reading, did you read the Constitution? Did you read the Federalist Papers?

01-01:57:55
Sandler: Oh, yeah. I did that in classes. But did I do it outside of classes? I don't think so. I have read widely, yes.

01-01:58:06
Meeker: Your approach to compassion and fairness, you—

01-01:58:13
Sandler: I've been asked the question, Martin, many times, and I can't give you an honest answer in terms of where it comes from. I can tell you about my father having that point of view, and I can tell you about both my brother and I. I mean, one of the reasons we started ProPublica, as we will discuss later, is to have investigative reporting on abuse of power. The powerful taking advantage of the vulnerable drives me crazy. I go berserk. I don't get it. I don't understand these people. I don't know what's wrong with them. I don't have much compassion for them.

01-01:58:58
Meeker: Okay. Why don't we stop there for today—

01-01:59:01
Sandler: Oh, sure.

Interview 2: January 31, 2017

02-00:00:10

Meeker: Today is the thirty-first of January, 2017. This is Martin Meeker, interviewing Herb Sandler for his oral history interview, and this is interview session number two. We are here at the offices of the Sandler Foundation in San Francisco. So we covered the majority of what we had intended to cover in our first session, but off camera, you had mentioned wanting to go back and talk a bit about your father, and some of the challenges that he experienced in his life, and how that impacted your upbringing. So with that prompt, why don't you just go ahead?

02-00:00:52

Sandler: Well, I think I indicated my father went to law school at night. He had always been working since he was a child; had a very hard life. Did become a professional. He worked his way through law school as a male stenographer.

For whatever reason, at some point in his life, he learned about horse racing, and he became a gambling addict. Which had a significant impact on the entire family. There were some periods of enormous stress, when he needed funds, either on a debt or maybe he utilized—and I don't know this in detail, because I was a little too young—money from trust accounts, and he had to replace them. And I have clear recollections of hysteria in our apartment, and my mother screaming she was going to commit suicide; she can't live like this. An enormous amount of tension.

My brother bore the brunt of it, because he was five years older and was more cognizant. And I do remember when he was in law school and he had friends, some of who were working part-time, when there was emergencies, he would be making these late-night calls to friends: could he borrow a thousand dollars, a couple of thousand dollars, to avoid some great embarrassment that was hanging over my father's head? And this clearly had a significant impact on my brother as well. My mother bore the major brunt of it, who, she was already a nervous, if not neurotic, woman, and it's pretty tough to live that way.

When my brother started working, he lived at home, and everything he earned was turned into the house to help support the household. He never had any money. Everything he earned was turned in. Again, for him, it wasn't as bad as it might be for somebody else. He was very shy, didn't really go out with women; person of the intellect, read extensively; that was his main pleasure. That, and politics, and practicing law.

But obviously, I began to learn what was going on, and when I first started to work, the same thing was also the case: I contributed what I was making to the house in order to support my father's gambling addiction.

02-00:03:39
Meeker: How did you learn what was going on?

02-00:03:41
Sandler: Well, it became fairly clear. You had a lot of screaming and yelling with my mother. You know, one thing that goes with gambling is you also lie a great deal. You deny that you were gambling, and it became clear that he was still going to the track and betting through bookies. Other than that, he was really a very good person. He was very warm, he was loving, he was charming, he was fun; he cared about the right things, had terrific values. But he had this disease, and it had enormous impact.

I'll tell you some of the strange parts of it. I became terrified of banks. I didn't go in to bank. I was too nervous.

02-00:04:39
Meeker: Was it the institution, or was it just money in general?

02-00:04:42
Sandler: Yeah, the whole thing with relating to money, and owing, and debts, and that's a bank. And I remember a bank in New York when I was working at the Waterfront Commission was offering to young lawyers—obviously trying to get them as future customers—a special deal for checking accounts, no-fee checking accounts, way, way back then. And all of my friends were going there, and I wouldn't go, and they finally pressured me to go. And I remember going to the bank with great trepidation for them to give me something which was very good to have! And there was an enormous amount of terror.

[portion of interview sealed here]

02-00:07:29
Meeker: Did your father ever come clean to you or your—

02-00:07:32
Sandler: Oh, god! Oh, no! Yes. And actually, there was another moment which has a lot of emotion attached to it. He lied all the time about what he really owed; wouldn't ever tell us. But I believe in the last session, we discussed the fact that he, at one point, in 1960, was appointed by Mayor Wagner as a judge. And when I made the decision to take over his practice, which he wanted somebody to do—my brother not having any interest at all—I demanded that he give me an exhaustive list of all of the debts. Which he finally did, and I wrote them down on a yellow pad, and got the details of the debts, and of the interest due, what interest rate he was paying. Which possibly relates, again, to why I am so maniacal about predatory lending, and why I have such a hatred of it.

And what I did is I visited every creditor. Many of them were friends of his. And explained to them that I was assuming all of his debts, and that I would ensure that they would be paid; however, I might not be able to pay interest on

some of them for a period, and I would have to take them in order. And some of them were very kind and relaxed about it, and told me not to worry, and they'll wait, and others were a little more difficult. So I set priorities, and then started to pay off the debts, slowly. And again, I'm getting far away from where we are back then, but you are interested in impact.

It was a very small practice. And I remember every day, I'd go into the office, immediately want to open the mail to see what bills were paid, because I had to pay rent, I had to pay a secretary, there were other expenses, et cetera, et cetera. And this carried through to when I was married, and there was a confession scene, which we can talk about later or whenever you want, and—But I was having difficulty sleeping at night because I'd be thinking, who have I got to pay this month? What do I have to pay? What bills were paid on time this month? Will they come in? Won't they come in? And Marion got very concerned. And at one point—I can't remember when it was—she did something that I think she didn't want to do, but she couldn't stand seeing me under the stress I was. And so she arranged a loan which she cosigned, which helped me take the balance down. The other thing that was very helpful to me is I went to a bunch of my classmates with whom I was very close, and I told them the problem, and a number of them made me small loans—$500, $1,000 at no interest; pay it back whenever I wanted. And so I paid off the more difficult creditors first.

So I was managing this whole thing. And then Marion solved it at the end by this loan, which permitted me to pay it off. And when I used to do—and I have a very clear recollections, and I have one regret—when I paid somebody off, I put a line through the name. And the list got smaller and smaller. And then with Marion's loan at the end, which let me take care of the rest of it. And for a while I saved it, and I wish I had saved it, because it was a very important thing in my life. It's hard to believe that from that background, I am now running with Marion a major financial institution—one of the largest in the country.

02-00:12:13
Meeker: These loans, you had mentioned many were by friends. Were they all informal?

02-00:12:20
Sandler: Yeah. I can't remember whether there were any notes. There were certainly no agreements. There may have been notes. In those days, we used to have usury. Usury seems to have disappeared as a concept. But they were above that. They were higher interest rates. They were like, 12 or 15 percent. Which today is nothing, but in that world, that was then a lot of money.

02-00:12:51
Meeker: Once you took over your father's debts, did he stop gambling? Did he ever back off from it?

02-00:12:58
Sandler: He slowed down, but he gambled a little bit. But he did not create more problems with it. But he did gamble, until he started to become unwell. He died at the age of seventy-one, on his birthday. And I think sometime in the last few years, he had ultimately stopped gambling altogether.

02-00:13:25
Meeker: Did you ever sense that it impacted his judicial career in any way?

02-00:13:30
Sandler: No. Not at all.

02-00:13:30
Meeker: Or his legal career? No?

02-00:30:31
Sandler: No, no.

02-00:13:32
Meeker: So he was able to keep those separate?

02-00:14:33
Sandler: Yeah. Yeah. I would watch him in action when I had a chance. And his courtroom was warm; people were treated nicely. Did have a bias for the underdog at all times. He had a very strong emotional bias in that direction. And there's nothing wrong with that. That's pretty good.

02-00:14:03
Meeker: I assume that you have probably never spent much time in Atlantic City or Vegas as a result of this.

02-00:14:09
Sandler: I never gambled. I think I told you a story last time. Did I tell you about the time my dad did take me to the track?

02-00:14:17
Meeker: No, you didn't.

02-00:14:17
Sandler: I think I was about sixteen or something like that. I told this story recently to somebody. And I remember I won the first race, and I won the third race. I really didn't know what I was doing, but I was lucky. And I remember saying, to this day, "Where has this been all of my life?" This sixteen-year-old snot-nose. And I lost the fourth, the fifth, the sixth, the seventh, and the eighth, and I never gambled again.

02-00:14:50
Meeker: I mean, you had mentioned in one sense how it impacted you. But how did it impact the family dynamic?

02-00:15:02
Sandler: Oh, there was an enormous amount of tension. Was something catastrophic going to happen to us? There was always that thing around us. And it quieted down, and then there'd be an emergency. And I remember my brother rushing to friends to borrow some small amounts of money, which would take care of the emergency. It wasn't a great deal of money. And I mean, here I'm dealing [laughs] in the financial system with billions, but it was really small. It was not a lot of money, but it was enough to make life difficult for my mother, and certainly an enormous impact on my brother.

02-00:15:43
Meeker: Did it help draw you and your brother together at all?

02-00:15:45
Sandler: Well, we were always close. He was a wonderful older brother. You know, five years difference, that's a lot. But if he went to the movies, he would always take me. There was no question about things; he was just wonderful, just as good as it gets.

02-00:16:04
Meeker: And he was living in the house at the same time?

02-00:16:06
Sandler: Yeah. We lived together in the same room, and talked all the time. Talked to the very end of his life all the time. Just very close; interested in the same thing. He was totally brilliant, off the page. And very gentle. And very unhappy. I think he, as the first-born, bore the brunt of having a mother who was very nervous and inexperienced, and possibly neurotic. Very loving, very caring, but overprotective in the extreme. And he had determined when he was still a teenager that he was never going to be happy. And some years later, we talked about it, and he told me about it, and what he had figured out that whatever life was going to be, he was never going to be, quote, "a happy person." And he didn't want that to happen to me.

And so he was dedicating his life to ensuring that what happened to him didn't happen to me. And the ways he would do that is every time I would show independence, which, of course, would frighten my mother, and she would become overprotective, and she would try to curtail that, he would intervene, and argue why I should be let alone, and so forth. And that's kind of an amazing insight that someone has into his own life, and it's even more astonishing to think at that age about an eight-, nine-, ten-year-old kid has to be protected, and incented, and let to have independence of thought and action, and risk. And that's kind of an amazing story.

02-00:18:30
Meeker: I'm curious: the reason that your brother thought he would never become happy, was it—

02-00:18:37
Sandler: Frightened of everything.

02-00:18:38
Meeker: He was frightened of everything?

02-00:18:39
Sandler: Yeah, yeah, you know? Because anything he had tried to do, [imitating mother] "Oh my god, something's going to happen!" kind of thing. And whatever it was, he then—

There is a kind of a something nice—one of the happy things in Marion and my life: some years later, we were still in New York, and before we moved to California, and we talked about his sadness, this sad state. And we both urged him to go into analysis. And he had a reaction of fury. Now, fury is always interesting, but from somebody who is extremely gentle and quiet, it's absolutely terrifying! To find somebody who is always incredibly gentle, to lose his temper in this great burst. And for a while, there was some tension between us, which dissipated. And then we moved to California, and at some point, one of our visits, it turned out that he had finally made the decision to go into analysis. And he said to us that it was the kindest thing anybody had ever done for him, because it made possible some measure of happiness. Yeah. Very powerful stuff. And I may not be able to control myself.

02-00:20:29
Meeker: Did you ever get a sense of that moment when he became furious, what was driving that?

02-00:20:39
Sandler: Oh, I think it's fairly typical. I think most—I don't want to say "most"—many people find it uncomfortable to think that they might need some therapy, or analysis. And they have various reactions to it, and one of the reactions of protecting themselves is through a display of anger. It was just so unusual. If he had been a louder person, or a more aggressive person, you know, it wouldn't have been surprising. But he was so gentle and sweet that it was, wow! It really hit us.

02-00:21:24
Meeker: Well, and I suspect you and Marion approached it very delicately as well.

02-00:21:28
Sandler: We thought; we talked about it; we did all that. And Marion was an incredibly sweet person herself. And Marion had been in analysis, and was very comfortable with it. And she tried to explain what it meant to her, and so forth.

02-00:21:46
Meeker: Did your brother ever marry?

02-00:21:48
Sandler: He did. Which, he never would have had this not happened. Yeah.

02-00:21:53
Meeker: Tell me about his wife.

02-00:21:57
Sandler: We were in California, so we would see her only on those occasions when we would be in New York and we would see him. She was a quiet person, also gentle. I think also had a lot of neuroses. But they seemed to be happy together. She sang a lot. She would sing to herself as she—and he would tell me this—when she cooked, and it gave him an enormous amount of pleasure.

He was in a job for which he was unbelievably well suited, and which he loved. Namely, he was a judge. And he loved what he did. The worst time of year for him was the summer, when most people are very pleased, because when you are a judge, you don't work much during those two or three months the court is not in session, except as you are assigned to cover certain periods of time. And that was a down period for him, because he couldn't do what he loved most in the world. And he was a great judge.

02-00:23:24
Meeker: Were there any significant cases that he worked on?

02-00:23:26
Sandler: Yeah, there's one case; I think it's Amanuensis. It's kind of interesting, looking back on it. But it made new law. He was a lower trial court judge, and it became the law of the state of New York. Which dealt with the fact that—I hope I'm getting it right—that when a landlord doesn't provide the services which he is required to provide, the tenant is relieved of his obligation to pay rent. In other words, historically, there was no balance at all between the landlord's rights and the tenant's rights. And what he did is he wrote this case of first impression which put them into balance. And it's very frequently cited, and it was a really big deal. And there's lots of articles about it, actually. He had other cases as well. Did I mention in our last meeting about he ultimately was the judge that heard all the cases concerning mobs and racketeering?

02-00:24:38
Meeker: No, we didn't get into that. I was going to ask you about that in the context of your work on the Waterfront Commission, because I imagine there probably would have been some—

02-00:24:45
Sandler: Yeah, there's a lot of stories there, but—

So Leonard was appointed to a lower court, and then he was promoted to the supreme court, and there was a series of cases dealing with politics and racketeering. Judge Murtagh was the judge who heard all of the cases, and he had a heart attack and died, and Governor Carey, the then-governor of New York, appointed my brother, who heard all these cases. You know, there are descriptions of him, about he was the conscience of the district attorney's office—one of the rare people who is not only a brilliant law man, but he

actually thought from the perspective of the defendant. He actually believed in something strange called "justice." He cared about justice. And I have a favorite...editorial in the *New York Times*, which, if I can find, if you'll give me a moment—

02-00:26:02
Meeker: Sure.

02-00:26:06
Sandler: Oh, here it is. It's over here, I think. Which I really love. By odd coincidence, the person who was the prosecutor on these cases was somebody who had been a colleague of his in the district attorney's office; they were there at the same time. And he was highly aggressive, and the only thing that counted in his life was getting a conviction. So let me just quote to you a part of this: "Justice Sandler, who has an impeccable reputation for legal scholarship, integrity, and industry, was deemed the 'conscience of the office'"—close quote—"when he served as an assistant prosecutor under Frank Hogan, and was always capable of understanding the defendant's point of view. The contrast between Justice Sandler and Mr. Nadjari, who once suggested that obtaining a conviction might be as satisfactory an experience as lovemaking, is between what the law ideally ought to be and what, in practice, it too often turns out to be."

02-00:27:36
Meeker: I'm curious: growing up where you did, not too far away from Little Italy—right?

02-00:27:42
Sandler: No! We were very close—next to Little Italy.

02-00:27:46
Meeker: Did you have much exposure or knowledge of organized crime networks growing up?

02-00:27:53
Sandler: No. I didn't have any insight about that. But I learned a lot about it at the Waterfront Commission. And there are some kind of fun stories about that.

02-00:28:04
Meeker: Well, we'll get to that. Why don't we talk about law school? Did you go to Columbia immediately after graduating from City College?

02-00:28:13
Sandler: Yes, I did. I was happy to read an article—I don't know if you saw it—a couple of weeks ago in the *New York Times*. It was about the fact that the Ivy League schools have so many people from that 1 percent—the highest income strata? More than the bottom 60 percent, even though theoretically, they are making efforts. But in those articles, they refer to CCNY as the Harvard of the proletariat.

So I was fortunate to go to CCNY when they rated one, two, or three in literally every single discipline. Unfortunately, I was too young to get the benefits out of it, because as I told you, I entered college when I was less than sixteen—and I was a young less than sixteen. I think of Marion's experience at Wellesley, and she came out a far more educated person than I did. The only advantage I had is that because of my father read a lot and my brother read an enormous amount, I read prodigiously as well. So that helped.

02-00:29:27
Meeker: What year did you graduate?

02-00:29:28
Sandler: I graduated in '51.

02-00:29:30
Meeker: Fifty-one? How old were you at that point?

02-00:29:36
Sandler: I would have been just under twenty. I went to law school under twenty. I had the same problem there. And also, City College a little bit was exacerbated because a lot of veterans were returning. So there were a lot of veterans in class, and they were in a bunch of my French classes, and I remember they spoke so beautifully, but they didn't know anything about grammar. [laughs] You know? So they had a lot of problems on that, but they could totally understand anything anybody said, and could articulate anything.

02-00:30:10
Meeker: You know, I don't know the history of the City University of New York too much, and I don't know at this point in time if City College was part of a larger—

02-00:30:18
Sandler: Not at that time. There used to be City College—CCNY, City College of New York; there was a Brooklyn College; there was Queens College. Now, I think it all comes under the umbrella of CUNY, if I'm not mistaken.

02-00:30:28
Meeker: Correct. And there's a law school that's part of CUNY now as well. Was there at the time?

02-00:30:33
Sandler: I didn't know that. No. No. They did have a business school, called the Baruch school. But I was up in Convent Avenue, which was the uptown site for City College, and it was an amazing place. I think I told the story of a woman in my economics class that was—since I had gone to a boy's high school and I was so young, that was a major change in my life.

02-00:31:05
Meeker: Right—to actually see an adult woman.

02-00:31:06
Sandler: To see there's another sex there. Yeah, that was kind of interesting.

02-00:31:12
Meeker: Tell me about your decision to go to law school.

02-00:31:15
Sandler: I didn't make a decision to go to law school. When you are in public school, when you get out at sixth grade, you don't make a decision to go to junior high, do you? You just go. And if you are lucky enough, you don't make a decision to go to high school—you just go. I didn't make any decisions there, and I didn't make any decision about college. And I didn't make any decision about law school. I thought it was automatic. I never said, is there an alternative? That never entered my mind. It didn't enter my mind that I wanted to; I thought it was what one did.

02-00:31:53
Meeker: But you would have had to apply, you would have to take, probably, an exam—

02-00:31:57
Sandler: I don't know if I took an exam for Columbia. I think the only exam I took, I think, was for Stuyvesant High School. And I don't know why I did that, in retrospect, because I wasn't interested in science. So I don't know the answer to that. I've often wondered about that. There is the joke, you know, about this forty-year-old person who is very angry: "Who the hell was that sixteen-year-old kid that decided I'd be a dentist?" You know? [laughs] Yeah, it could have ended up miserably!

So, it wasn't a conscious decision at any point.

02-00:32:38
Meeker: Well, so, given that your father as well as well as your brother were attorneys—

02-00:32:40
Sandler: Yeah. I saw that my father was an attorney, my brother did all that, so I guess I'm supposed to do it.

02-00:32:46
Meeker: So if you father was a greengrocer, that maybe would have been your—

02-00:32:48
Sandler: Yeah, I would have been a greengrocer.

02-00:32:50
Meeker: Well, tell me about your law school experience. Was there any point in the law school experience that you started to have a different feeling about the practice of the law, about the Constitution, about equal protection, and these kinds of things?

02-00:33:10
Sandler: Yeah. And I'll tell you, I was reading an interview with my brother. Remember, he is this quiet, introverted, shy person. And he describes in law school that he read the dissent in a certain case—I think it was by Justice Black—and it had to do with the Fourteenth Amendment, incorporating these other clauses. And he said bombs went off, and lights flashed, and he knew this was his life. I had never had such a moment! [laughs] I went to law school like I went to college, like I went to high school.

But I will tell you an experience that happened on the first day. But I want to tell it not from the first day; I'm going to tell it as I told it to the person who played the starring role. So in the first class you go to in law school, I think we were assigned something like fifteen pages of a variety of cases. And it took, like, four hours to read. You know, I'm a fast reader. It's like a different language, and you have to learn to read in a different way, and you are not sure what's important, and I couldn't believe how long it took me.

So I go into the first class—and now, I'm going to fast forward. Marion and I have moved to California. One of my classmates from that first year was a fellow named Geoffrey Hazard. And Geoffrey Hazard is in California, and he is teaching at Boalt Hall. And as I may have mentioned—I don't know if it came up earlier—when one moves to a new area, one tends to try to find everybody they ever knew in their earlier life so they could have a friend and know somebody. So we called a list of people, and Geoff Hazard was one of the persons I called, and he immediately invited us over to dinner.

And so Marion and I go to dinner, and during the course of dinner, I say to him, "Geoff, I don't know if you realize it, but you have almost ruined the career of a large number of people the first day of law school." And he says, "What are you talking about?" And I said, "I don't know if you remember this, but you were called in the very first class, and they called, 'Mr. Hazard.' Now, I, in my case, it's a little more extreme because I'm a city kid: always lived in an apartment, always lived on the Lower East Side. I had never seen anybody before with a vest, which you were wearing on that day, and you had a tweed jacket, and I had never met anybody in a tweed jacket. And you get up, and the professor asks you a question. And you say, 'Well, professor, I don't know if I agree with that.' And you started to talk. And then all of a sudden, there is this colloquy going back and forth. And I and most of the people around me—and I sat next to a person named Sherman Saxl, because his name came right after mine alphabetically—and we were both looking at one another and saying, what is going on here? Who is this guy? And we were stunned, and we were thinking, I am not going to survive.

"And not only that, Geoff, but you were called on in the other two classes we had that day, and the same thing happened: 'Mr. Hazard!' 'Well, professor!' And your thumbs are in your pocket of your vest, and you are holding forth, and you are holding your own, and we are shaking like leaves, and we are

saying to ourselves, this is not for me; I'm not going to make it." And then he says, "Well, you want to know what was really going on?" "Sure." He says, "My thumbs were in my vest because they were shaking so violently, I had to hold onto something. And secondly, did you notice that I had a different shirt on every time, because my shirt was wringing wet, and I rushed back after the class to take a shower and change my shirt?" I said, "If you had only told that to us, you would have saved unbelievable pain and fear, because none of us knew that. We just were blown away."

He went to Swarthmore, incidentally. So the first person I met from Swarthmore, that's the first person with a vest, the first person with a tweed jacket, who was unbelievably articulate.

02-00:38:19
Meeker: It's almost like he was a ringer, kind of implanted there, right?

02-00:38:23
Sandler: He wasn't. He just got called. I have no idea why, and he did become very important in DLI—in the PLI, rather: the Practicing Law Institute, and one of the leading lawyers in the field of ethics. So he's a big wheel; he turned out to be a big wheel.

02-00:38:41
Meeker: Was there ever a point in your law school education that you started to feel competent?

02-00:38:47
Sandler: I felt confident in the first semester, because I worked unbelievably hard. So things came easy to me in the lower grades. Particularly when I went to Stuyvesant, I suddenly went from fellow students who were not lower than average, but were much higher than average, and City College, again, very, very bright at City College. But this was different. These are people outside my experience. They had gone to Ivy League schools, they had gone to Swarthmore, Amherst, all these places I never even heard of. And they were very, very smart.

So I really worked very hard. Usually, things came easy. And I did very well in the first semester, and I got totally ground down. It was too long a period of working that hard, and I really loafed in the second semester. My grades came down to normal. So I never was on law review. My first semester grades would have qualified me for law review, but certainly not the second semester. I played a lot of basketball at Riverside Park, which was just a few blocks away, and I had a wonderful time. [laughs]

I also had a problem in that my brother was a star, and had preceded me. I am sure I disappointed a whole bunch of professors who had expected more from Lenny Sandler's kid brother. So it was a tough comparison.

02-00:40:37
Meeker: Were there any professors that you recall as being at all influential in your life?

02-00:40:42
Sandler: Yeah. I felt that most of them were mind-blowing. They had Herbert Wechsler, the very famous criminal law professor. Do you remember the movie *The Paper Chase* with John Houseman? That's the way it was taught in those days by most of the professors. So we had a professor Michaels: very acerbic; very sarcastic. He tore me apart one day in class; just ripped me up and down. And I know my brother was a favorite of his, so I don't know—it must have given him additional joy and pleasure. Wechsler was very sarcastic, very tough. And his line used to be, "Well, Mr. Meeker, I see you've taken us up the mountain, and you've left us there." You know? It's just a lot of sarcasm and that.

We had one professor, and he plays a role which may come up again later, named Julius Goebel, who was the leading legal historian in the country, and he taught a course called "Development of Legal Institutions," known as "DLI," dealing with the reception of American law from the British. And for some reason, I had enormous problems in that class, and literally would have migraines when I read the book.

And a quick story. A very close friend of mine was a fellow named Bob Pitofsky, who also later became a professor, first at NYU, then at Georgetown, then the dean of Georgetown, and then he was at the Federal Trade Commission, and the chairman of the Federal Trade Commission. And he was a very good student. And I remember studying on the night before the test for DLI, which I was certain I would fail, because I didn't follow any of it. Bob walked into my office—"in my office"—into my dorm room, and the room was dark. And I had started to read the material, and I had a blinding headache. So I had the lights out, was lying down. And so what happened is in that course, there is always a major question on the exam dealing with reception: the reception of the laws. And there's a lot of other stuff, but this is the big part of the exam. And so what Bob did, he lectured me for forty-five minutes—I was just lying there—and he spoke about forty-five minutes about reception.

And I got something like a B-minus in the course, but I passed. And all I did when I saw the question on reception, I wrote down everything I remember that he had said the night before, which was the totality of my knowledge. And that got me through that course. It was a sure failure but for that forty-five minutes of goodness that he visited on me.

02-00:44:09
Meeker: You were living in a dorm at Columbia?

02-00:44:11
Sandler: Yeah, at John Jay Hall.

02-00:44:13
Meeker: Interesting. Was that typical for law students?

02-00:44:17
Sandler: A lot of them lived there, lived in the dorms.

02-00:44:21
Meeker: Did you have a job?

02-00:44:23
Sandler: No. No. I was a drain on the family. But to be honest with you, I didn't think about that. I look back at it with a certain amount of horror. You know, my father carried his life off as if he were successful. He really wasn't. He had a very small practice. I don't know whether gambling was to offset the lack of income, or whether it was—whatever it was. Too complicated. I didn't have heart to hearts at that time because he wouldn't tell the truth. But in retrospect, it was extremely selfish of me.

02-00:45:16
Meeker: Does the rule that you described as far as, you know, you go from junior high school to high school, high school to college, college to law school, does that follow for from law school to practicing law in the same—

02-00:45:31
Sandler: No, no. That was different.

I'm not sure whether it's appropriate now, but it's a rather incredible story if you want to hear about another thing that took place between the second and third year of law school.

02-00:45:46
Meeker: Okay.

02-00:45:49
Sandler: I had a professor for equity whose name was Charlie Black, Charles Black. I really never knew at that time how significant a figure he was, because the course he taught was unbelievably boring. It was a course on equity. And it fell into a series of requirements, which is why I took it.

02-00:46:14
Meeker: "Equity" in what sense?

02-00:46:16
Sandler: I don't even remember. It's this whole blur.

02-00:46:19
Meeker: Yeah. But not "equity" in the Fourteenth Amendment sense, right?

02-00:46:22
Sandler: —just boring. But it turns out Charles Black is one of the great people of our time. He was the primary author of the brief in Brown against the Board of

Education. He was a major advisor to Thurgood Marshall, on all of the civil rights issues that came up during that period of time. He was not only brilliant, but a great human being. And unfortunately, I never understood that in law school. I just knew he was boring.

So it's during the summer. I'm with my close friend Bob Pitofsky, who was working on law review. And I am working for Professor Richard Powell, who was a leading person in the field of real estate, and I was helping him on his books, on what he was writing at the time. And it was a very hot day—really hot. And so Bob and I were chatting: you know, we can take off a day. Let's go out to the beach. And we were heading down in the elevator, and Charles Black gets in. And Bob knew him somewhat. And we end up saying, "We are going to the beach—would you care to join us?" And he says yes.

And so the three of us drive to a place called Riis Park, which is a beach; I don't know if you know it. And we spend this unbelievable day. We are lying on the beach, and we are talking about all the problems of the world. We go dive into the ocean, and we are floating on our backs, and we are continuing the discussion. And it went on: beach to the ocean, floating, swimming, diving into the waves, but nonstop talking about everything in the world, and all the issues.

Now, it's some years later, and Charles Black and his wife, a woman named Barbara Aronstein Black, who was the dean of Columbia Law School at that time—she had been a year behind me at law school—are visiting California. So obviously, she is a fundraiser, and obviously, I would be on her list. And so we take them out to dinner, and I tell Charles, I remind him of this story. And telling him that that was one of the most important days of my life. And he and Barbara are saying, well, why? What do you mean? Why? And I said because as a city kid, I had never, ever spent a minute talking to a professor outside of a classroom. I had never engaged with anybody, and all of a sudden, I am engaging all day with this extremely interesting professor, and laughing and talking, and solving and arguing. And it was an amazingly emotional day for me.

And he says, "Well"—this is at the dinner now—he says, "Well, that was the most important day of my life." And Marion and I turned to him and said, "Why?" "Because Barbara, who was a student of mine, I had fallen in love with her, and I wanted to marry her. She meant everything to me. Her parents were irretrievably opposed. I was twenty years older. I drank too much. And I was not of her faith. And at this point, it appeared like I could not marry her, and I was contemplating suicide. And what happened on that day: I realized that one could get some joy out of life; that it wasn't all bleak, and bottomless, and horrifying. And in fact, I wrote a poem about this whole thing," which he later sent to me. Which I have.

Anyway, I called Bob the next morning, obviously, who is in Washington. And he says, "Yeah, that was one of the most important days in my life." He had the same reason as mine: he had not had much contact with professors on an individual thing.

02-00:51:51
Meeker: And Professor Black and his student built a life together.

02-00:51:56
Sandler: They did get married. And actually, his life gets more interesting. I didn't tell you something about Julius Goebel: he was a misogynist of the worst type. He treated the few women in our class like dirt. Sarcastic; unpleasant; vicious. So now, what happened, going back to Charlie Black, they are now married—this is not about me anymore, this is them—and he gets an offer at Yale which is a very attractive offer, and he had wanted to take it. And to accommodate him, they were going to give Barbara an offer. And she would not go as, you know, as an appendage to him.

02-00:52:49
Meeker: A spousal hire?

02-00:52:50
Sandler: Right. Because she was a strong, intelligent person. So they went together, and she started to study history. She switched law—not "switched," but she focused on legal history. And she became one of the leading legal historians in the country. And people like me who remember that and remember Goebel think Goebel must be rolling over in his grave to think that the preeminent person in the country now in his field, which he had dominated, was a woman. And I really love that. And then what happened is she got an offer at Columbia, and came back, and then became dean, and Charles came with her.

02-00:53:34
Meeker: As a spousal hire. [laughs]

02-00:53:35
Sandler: Came back, came back. So it's a really beautiful story, and one of the more amazing stories of my life.

02-00:53:43
Meeker: You know, I'm curious about this day at Riis Park beach.

02-00:53:48
Sandler: Riis Park.

02-00:53:49
Meeker: Yeah. And which you are, you know, engaging with this law professor, and thinking about all the problems of the world, and the solutions. You know, this is, I guess, early 1950s, between '51 and '54?

02-00:54:05
Sandler: This is ‘53 to ‘54.

02-00:54:06
Meeker: Okay. What was weighing on you at that point in time? What was of concern to you?

02-00:54:15
Sandler: Well, it’s hard to remember that. And when I talk about “the issues,” they were whatever the issues were in the news of the day. So if this were today, I’d be talking about Trump and what that means to our civilized society, and to our democracy, and whether we can survive somebody as uncontrolled, as ignorant, and as narcissistic and disturbed as he is. So whatever the issues were in ‘53, ‘54, which I can’t remember, would have been the kinds of things we would have been talking about.

02-00:54:51
Meeker: Well, that would have been the tail-end of McCarthy’s reign, I suppose.

02-00:54:54
Sandler: Probably. We might have been talking about that, sure. But it was just intellectually incredibly stimulating, but I’m doing it not just with my friend, but with a professor! And just as if he were a friend. And it was very, very moving.

02-00:55:17
Meeker: At that point in time, were you starting to develop any sense of what the methods or the strategies for change, for dealing with these challenges, should be?

02-00:55:29
Sandler: No. No. No. You know, life is a growing process, and you pick up things as you go along. The experience of my father’s life, very impactful. The things my brother did as a judge. All that were part of the growing up and learning process. The job at the Waterfront Commission, very much of a learning process and growing-up process. And I did begin more at those stages to think about those kinds of issues. Being younger than everybody for a while was hard. I think what happened, one of the advantages of the Army, in a sense: I caught up. Because being just a little shy of two years in the Army, I’m now where I should be in terms of life experience and age with the people I am working.

So you were asking, here is a learning experience. Can we jump to the Waterfront Commission or not?

02-00:56:45
Meeker: Yeah, go ahead. But you know, I do want to ask you about your time in the Army.

02-00:56:50
Sandler: Well, I mean, law school was an incredible learning experience, because for reasons I'm not certain I fully understand, I made a lot of very close friends there. And the last year of law school, there were four of us living in an apartment in a basement on 113th Street—510 West 113th Street. How's that for memory? It's a basement apartment. There was one bedroom. The other three people were law review; all of them were subsequently professors: Bob Pitofsky; Harold Korn; and Warren Schwartz. I was the only non-law review—and I certainly never taught. Bob and I shared the one bedroom. Warren slept in the living room, on a mattress, because after the sheet got dirty and he threw it off, he never put anything else on. Harold Korn, who was brilliant, Harold worked at night. So he would come back and sleep when we were at class, because he cut classes all the time. And they were all brilliant. I mean, this is the cream of the cream. And that was a tremendous learning experience, with them and the rest of the group we hang out with.

There is one really great story. We were not clean. This was a dirty apartment. It was filthy. Just before graduation, papers that had been bought in September—this is now May—they were still there. Dishes got taken out of the sink and washed only when there was no more room, or you needed a clean dish. Nothing got cleaned ever. Warren's bed was never cleaned or anything. So it's really *Animal House*. Our parents are coming up, and I say, "We've got to clean this place up. They are going to want to see where we have been living. We've got to clean up." Spent several days cleaning up whenever we had a shot. The place was absolutely immaculate compared with what it had been a few days before. The mothers come in, and my mother said, "Oh my god—how can you live in a pigsty like this?" [laughs] It was the only day it remotely was cleaned. It was just awful.

But interacting with these people, on the one hand, who were the type of people I knew because they were all poor kids as well from the city, and then interacting with people like a Geoff Hazard and others who came from different backgrounds, was an enormous learning experience. And I understood that although I was not as good a student as they were, that the fact that they interacted with me and that I was important in their lives made it clear to me that I should feel good about myself; that I was comfortable in my own skin.

02-01:00:30
Meeker: Was Columbia Law School at this point in time a place where people from Christian and Jewish backgrounds intermixed—

02-01:00:37
Sandler: Yes.

02-01:00:38
Meeker: —more easily than perhaps, like, at Harvard?

02-01:00:41
Sandler: I don't know what the situation is at Harvard. I never felt any issues with respect to any of that. We had a kind of a genius in our class, somebody who had went through with almost straight A-pluses: a fellow named William Kenneth Jones. And he is just, you know, brilliant off the page. When nobody else could answer a question, the professor would say, "Mr. Jones?" And Ken would then lay it out. Also, he had a wonderful thing about him: when he made notes in the class, the notes came out totally organized. One-A, sub-I, the— I mean, as the teacher was speaking. He didn't rewrite them—he did it in class as the guy was talking. And he shared them with anybody who wanted them. Was just an amazing person.

The great disappointment was that he never became as significant a factor. You know, everybody predicted chief judge of the Supreme Court. So he was a partner in a firm. He had an expertise in certain areas, like regulatory areas. You wonder about that. What is there? Why is it that somebody excels in life as well as at school, and others don't? It's very complicated, isn't it?

02-01:02:13
Meeker: Tell me about your time in the military.

02-01:02:16
Sandler: And that was an interesting growing experience also. I was sent to Fort Dix, New Jersey, where people from New York area went for basic training. And so you have a certain number of people who came from an educated background who had received student deferments and were now—when school is over, you have to go in. And then people, quite different, where it was the first time that I was in a situation where there was a significant amount of racial mixture, which was great. I was quite comfortable with it, living on the Lower East Side. More difficult for other people.

02-01:03:03
Meeker: This was after desegregation, so when you are talking about "racial mixture," you are talking about—

02-01:03:09
Sandler: Blacks, yeah. And then from there, I had a choice when I finished basic training. They permitted you to choose between certain places you could be sent, and my big choice was between California and Europe. I had never been west of the Hudson River. I mean, I lived in a very tiny little zone. I wasn't sure anything existed out there.

But anyway, I chose, for one reason or another, California, and it was kind of amazing. I left on a snowstorm-y day in New York, with a stop in Chicago, where it was snowing, and landed in sunny California. And it was kind of amazing, and I was thrilled. And then when we were stationed at a place called Beale Air Force Base, which is near Marysville, northeast of Sacramento. And I remember as we—the group of us who got off the bus—

were entering down the company street, people were making fun of us. And the reason they were doing that is they had been advised the day before that everybody on the base was going to be sent to Alaska. [laughs] It turned out, however, that we—this was about Thanksgiving Day, and that we were there in California until June. Then we went to Alaska for six months, and came back to California. So I did find Alaska fascinating as well, but I fell in love with California.

02-01:04:48
Meeker: Did you ever get to see any of coastal California when you came out here?

02-01:04:51
Sandler: Yes, yes I did. Yeah. We were semi-adopted by an elderly couple who lived at 2734 Benvenue Avenue. We were getting a lift into town. We typically, on a weekend pass, stayed at the YMCA Hotel, and I remember very clearly—

02-01:05:13
Meeker: In San Francisco?

02-01:05:14
Sandler: In San Francisco, on Turk Street. It's still there. I go by it almost every day. And I spent two-and-a-half dollars a night. That was what it cost me to stay at the YMCA Hotel, and I ate in a restaurant which is still around called Sears, and you used to be able to get breakfast—a full breakfast of pancakes, eggs, milk, and juice—for a dollar and a quarter. Those days are long gone. [laughs]

So, anyway. So we stayed there, but one day, we were taken to San Francisco by a friend who was married, and her aunt and uncle lived at Benvenue Avenue, and we stopped there. And it was an elderly couple who rented rooms to students. And they liked my friend and myself, we were taken up by the couple, and they invited us to come anytime we wanted, which we subsequently did. Every time we had any time off, we went there, and we stayed in their dormer. You know what a dormer—the top floor? You have to bend down, because it's a very low. And we were like their children. The other people who were there were also young.

02-01:06:32
Meeker: How did you make the connection with these people?

02-01:06:36
Sandler: A colleague—one of our people in the service with us—was married, and his wife, they lived off base at Beale Air Force Base, and they were coming in, and they were stopping there. They were going to take us into town as well, into San Francisco. They took us with them, and we stopped. So the four of us—the couple, my friend Ron Campion and myself—were there, and we had a drink with them, and something clicked.

And they were very, very important in my life, and then in Marion's life as well, because I was their friend until they died. And actually, they had two

sons, one of whom was in southern California, and the other son became my best friend. And we were just members of the family. Incredible memories. The first house I ever lived in. I mean, I lived in this house, and it had a little garden in the back—the first time I had a garden to go to. And all-new experiences.

02-01:07:51
Meeker: You were, you know, clearly raised in a big city—a big city kid. How did San Francisco strike you? Did it seem like a big city, or was it something else entirely?

02-01:08:02
Sandler: It seemed like paradise. What we would do before we got to stay at Benvenue Avenue, my friend and I would go to the YMCA Hotel, and then we walked, and we walked every street in San Francisco. We had no money. So we walked every place, and we went to the cheapest restaurants we could find. And I knew the city forwards and backwards, and loved it. The big surprise was that it wasn't hot. Everybody who comes to San Francisco for the first time thinks it's like Los Angeles, and of course, I had to get a sweater. That was an unintended expense. And I had mesh shoes at that time. I was freezing. So I had to get real shoes. And I just fell in love.

But then when we started to live every weekend in Benvenue Avenue, they taught me what hospitality was really about. So you come to a traditional Jewish home, hospitality is offering food. You say no but it doesn't make any difference—you are going to have to eat. And then if they are doing something, they have got to take you with them, and you have to come. And these people taught me a different version of hospitality. When we'd come in on Friday night, Fred and Marge would say, well, this is the plan for the weekend. If you want to come, come; if you don't, don't worry. And so they took me to see Mort Sahl at the hungry i, and Phyllis Diller at the Purple Onion. And I saw all of these people and all of these shows. And their son John, who was gay, charming, witty, funny, sweet, loving, became my best friend, and took me every place he went. He and his partner acted, so I was taken to the amateur shows that they performed in. And it was a life of unalloyed joy.

02-01:10:19
Meeker: Did you ever go to the Black Cat?

02-01:10:21
Sandler: Remind me of the Black Cat.

02-01:10:22
Meeker: It was at 710 Montgomery.

02-01:10:25
Sandler: Boy, the name is familiar, but I don't remember.

02-01:10:27
Meeker: Yeah. It was kind of maybe the most famous gay bar in San Francisco at the time.

02-01:10:32
Sandler: No. No. Is it okay to jump around different periods in time?

02-01:10:37
Meeker: Yeah, yeah.

02-01:10:38
Sandler: Before we moved to California, we were trying to buy a company long distance. Marion was out on a field trip for her employer, Oppenheimer and Company, and I was with her. And we call this person, a fellow named Lou Rosenau, who was the principle stockholder or owned a very small company which fit the size that we were looking for called Dollar Savings, and I asked if we could meet. And he says, "Can you join us for cocktails this evening?" And so, sure—if that's the only time we can see him, we want to go.

And he lived on Telegraph Hill, with this incredible view. And we go there. I remember there was a white shag carpet. He is a very attractive guy, and with his wife. And Marion and I are a bunch of kids, you know? We are thirty. And I think, you know, we are nice. We are nice people. I think we came across good. And we have cocktails there, we're chatting away, and every time I try to bring up the company, he changes the subject. Doesn't let me discuss it. And obviously, we passed some kind of test. He says, "Well, would you care to join us for dinner?" So I guess the cocktails were to find out—like you are dating a girl, you are not going to spend dinner money on them unless you really like her! So we must have been passable. He says, "I'm going to take you to some joint down the hill." And he took us a restaurant called Emilio's, which was one of the best Italian restaurants in San Francisco, as we subsequently found out, and we had this magnificent meal at Emilio's. And every time Marion or I tried to discuss the company, he somehow gets us onto another subject. He won't let it happen.

Now it's starting to get a little late. We had cocktails for an hour, an hour and a half; now, all of sudden, we are having dinner. I don't know; it's nine or ten o'clock at this point. And he says, "Well, you know, the night's young. You stay with us. We are going to go someplace, and I'm going to tell you, you are going to enjoy this." And he took us to a place called Earthquake McGoon's. You know, that was jazz, and it was Turk Murphy's band playing there. Turk Murphy—holy cow, you know? Even I as a kid in New York knew who Turk Murphy was—and there he is! And all of these other big-name people are there, and we are in this saloon, and it's a thrilling evening. It's unbelievable. It was very noisy in there with the music, but even such inchoate efforts I make again to discuss his company was blocked.

And then it must be eleven or 11:30, twelve—I don't know what it is when we get out of there. We were staying at the Fairmont because Marion was being paid by Oppenheimer and Company. And, "Oh, no, no! The night is young!" This is a true story. I am not making this up. And he takes us to a place called Station J. And Station J is a disco joint. And there is disco dancing going on. I think we get out of there 1:30 or two. Let us go home!

So this started with cocktails. We never got thirty seconds of discussion about the company. But it was a night to remember. So that's when you were asking me about the Black Cat.

02-01:14:24
Meeker: Well, yeah. It sounds like your experience of San Francisco was sort of at the heart of, you know, the bohemian North Beach.

02-01:14:31
Sandler: Yeah, right. Well, John that was a part of that crowd, he worked for a film company. I can't believe this. I haven't mentioned this name for twenty years: Leo Diner Films. Holy cow.

02-01:14:46
Meeker: Well, I'm curious about your friendship with John. I mean, the mid-1950s, it wasn't typical for a gay man to be out to his family, or—

02-01:14:56
Sandler: Oh, he was very out. He and his friend—oh, his friend was Bob. Bobby, Bobby, Bobby [Bobby Cowell]—I can't think of his last name.

02-01:15:04
Meeker: What was John's last name?

02-01:15:06
Sandler: Tomaschke. T-O-M-A-S-C-H-K-E. And he was a lifelong friend until he died. He used to play with our kids, and he was just great.

02-01:15:16
Meeker: I mean, you know, obviously, it would be easy now to say that you had no misgivings about—

02-01:15:22
Sandler: None.

02-01:15:23
Meeker: —getting to know this man, but what was your first experience of this?

02-01:15:26
Sandler: There was one other woman whom I had ever taken out in a serious way: a woman named Sonia Albert. And her father actually—I think their family name was Slutsky, and he was a psychiatrist to Hollywood. Very famous among the early Hollywood psychiatrists. And they were very bohemian.

They were all musicians. And one of her closest friends was a guy named Frank—I can't remember his last name—who was also gay. And also charming and wonderful, and trusting. He was very close. We always went out with him, and so forth. I was never uncomfortable.

And going back further on that subject, when I was in the service, I was a clerk typist. I was not an officer. I could type "Beale Air Force Base" faster than any living human being. Other than that, thirty words a minute, or thirty-five words a minute, but "Beale Air Force Base," 150 words a minute. [laughs] I typed it so many times. But there was somebody—a sergeant—I can remember his name, because it shows you—Dwayne Kilborne. I don't know what the words in the military—he was coming up on charges for having sex. They caught him in a place, a bathroom, and they were engaging in sex. And at that time, that meant a dishonorable discharge. And they asked me if I would represent him. Now, I really think it was really more negotiation. And he was a very decent guy. You know, it's such an outrage. There's such a sickness in our society. And I got him the best that he could have hoped for.

Nobody was doing anything to anybody. They were just having consensual sex. That was a commentary on the sickness in our society. So I have never had any discomfort with people that are different. And as I've told Susan and Jim, I think it's a big advantage I've had over them in my growing up, is that to grow up in a melting pot, you feel just comfortable with everybody. And I think growing up in the suburbs has a whole series of negatives associated with it.

02-01:18:12
Meeker: Interesting.

Well, let's talk about the Waterfront Commission.

02-01:18:56
Sandler: Sure.

02-01:18:56
Meeker: And you were a staff attorney there, correct?

02-01:19:00
Sandler: Right.

02-01:19:01
Meeker: What year were you hired?

02-01:19:03
Sandler: I went into the service right after I graduated law school, and I got out, I think, in February or March—a few months short of two years. And, again, my grades were not fantastic at law school. They were good, but they were not the best. And so I was not going to get hired at any really good firm. And I didn't

have any particular incentive for that. I was looking for a job. You want to get your experience; you want to earn some money.

And the Waterfront Commission came out of the State Crime Commission hearings, which came out of the Kefauver hearings. And it dealt with crime on the waterfront. And it dealt also with the unions controlling the waterfront. It kind of makes me laugh: they were supposed to be a temporary agency, and every year they would have to write their yearend report; they would explain why they should be renewed another year. And I noticed they were in the papers about three weeks ago, and they are still writing the same letter. And I was working there in 1956, and they were doing that then, and they are still justifying themselves.

But I was hired as an assistant counsel, and we were kind of a regulatory licensing agency, and there is a lot of work about whether people who committed crimes on the waterfront—hearings would be held, and they might have their right to work on the waterfront taken away. I was involved in lots of work, I and another person, dealing with the union leader in Brooklyn. That was an investigation that went over several years, of a very famous guy by the name of Tony Anastasia.

Can I digress and tell a story?

02-01:21:08
Meeker: Sure.

02-01:21:10
Sandler: I notice you are fishing for growing experiences. And there was a growing experience there, and the Waterfront Commission was very important, because I found that I had talent, and I was pretty able and bright, and I was better than most. But we shared space. So I shared space with another, more experienced lawyer. And there is something about this which was very important for me. His name was—I'm amazed I'm remembering with all the names—his name was Greg Hammill. And Greg was a very good-looking guy, he was extremely able and smart, he was six-foot-seven or -eight, and played basketball at Holy Cross. A very impressive guy; very nice.

But I found something very strange, and that was an absolute intolerance for others who did not have the results he had. I think there were racist aspects of him, and he looked down on blacks who were on welfare: If I can do what I am doing, why can't they? That's because they're lazy, or they're because of that. Here is this incredibly intelligent, able guy, and he had no insight into the fact that he was endowed by genes that gave him all the things you look for—attractive, smart, physically strong—and others don't match him? There must be something wrong with them. No empathy.

So here was somebody who became a close friend, but enormous stress between us on that. And that was a big learning experience, to see how other

people—what they learn about themselves and about others. Because this guy should have understood it all. He had the brainpower for it.

02-01:23:34
Meeker: Did you ever confront him?

02-01:23:35
Sandler: Yeah! Argued all the time. Yeah. And he was hard to argue with, because he was very smart, and he was very strong. But he was very gentle with me.

02-01:23:45
Meeker: You know, I'm curious about the work of the Waterfront Commission, in the sense that you were dealing with organized crime. And it would be hard to find an excuse in defense of organized crime. But the commission was also addressing labor, and the abuse of power that comes with labor organizations, labor unions. Can you talk me through that, and how you—

02-01:24:13
Sandler: Well, first I'm going to tell you a story about a fairly notorious character. So I lived in this building called Knickerbocker Village on the Lower East Side. And remember I told you my father moved to the Lower East Side to get involved in politics? Well, the Democratic leader was a fellow named Duke Viggiano, and he had a brother-in-law, which was his wife's brother, named Socks Lanza. A fairly famous name. And Socks Lanza controlled the Fulton Fish Market, among other things. An extortionist. He was called "Socks Lanza" not because he wore colorful socks, but because he used his fists, to beat up people who didn't pay on time, and he beat the hell out of them. I mean, a really bad character.

My parents, especially my mother, thought all these things were rumors; that he was actually quite wonderful. His mother lived in the building, this big building. And he was there visiting her all the time. And anybody who visits his mother all the time, you know those stories can't be true. In addition, if Lanza passed my mother in the building, on the street, or whatever, he always tipped his hat. Men always wore hats in those days, and they tipped them. Well, people who are bad don't tip hats and don't visit their mother.

So now I'm in the Waterfront Commission, and I am reading tapes about this guy's criminal activities, in which he is on the phone and he is going to beat the crap out of this guy and that, and he is going to break a leg, and he is going to break his head, and he's going to do this, that, and the other thing. And I cannot convince my parents [laughs] that this guy is as bad as they come, because he tips his hat, and he sees his mother. Very interesting!

The crime on the waterfront is the power of the union. So for example, if you've seen the movie, the Marlon Brando movie *On the Waterfront*, that is one of the rare movies that's actually accurate! The union controlled who goes to work. They get paid off for that kind of stuff. So theft on the waterfront,

people stole to order. You wanted a Philco radio? They'll get some guy to steal a Philco radio, and get it to you.

We had one investigation where the union boss was having his house built. So the longshoremen get checked—you go in, and you get checked in at the time clock. They then walked out the back door, got into a bus; they were taken out to the guy's house. So there was one investigation—my kids loved this story when they found out about it—that I was up on a hilltop with binoculars watching—with the state police and others—watching as the longshoremen were driven in and put to work building the union boss's house. [laughs] And then what we did is we swooped down, took them into separate rooms, and then deposed them under oath, and got the confessions and so forth. And so on.

The most interesting thing I did at the commission was working on something we never got any place with, but the whole process was interesting. And that is the reference I made to Anastasia. He was the boss of the Brooklyn Waterfront. Now, Anastasia's name is famous for his brother, who was Albert Anastasia. And Albert Anastasia was a button man—a hit man—for the mob. Albert himself, probably a little before your time, but actually was executed himself while he was in a barber chair. The guys who wanted him put away came in and shot him up while he was having a shave. But he was somebody who killed a lot of people. So of course, that gave Anastasia—Tony Anastasia, the union leader—some hidden power, in addition to the power he arrogated, because you don't want to mess with the Anastasia family.

And I had a very close friend in the Waterfront Commission who was assigned to work with me on this—or I was assigned to work with him, because he was more senior. And we used to interview Anastasia regularly, and it was quite interesting, because he had an attorney whose name was Cooperman who was very able, but Anastasia sometimes would not bring Cooperman in. He would come in himself. And Anastasia was so smart that he saw where we were going with our interrogation so early, and he anticipated every move. And he was just extremely sharp.

But the other amusing thing is—and it was kind of a version of good cop, bad cop. I was the kind of bad cop, and my friend Tony—who was Italian, obviously—played the good cop. And I remember I was going after him pretty hot and heavy, and he handled me very easily, I got nowhere with the way I was acting. And he turned to my friend Tony, and he pointed at my hair, and he said something like, "Tierro russo! Tierro Diablo!" "Red hair! Hair of the Devil!" So, charming, bright as heck, but we never got him on anything.

02-01:30:34
Meeker: Did you ever have any concerns for your own safety in doing this work?

02-01:30:38
Sandler: Never. No. No. I've never been worried about any of this stuff.

02-01:30:48
Meeker: You know, obviously, later in your life, a lot of the work that you've done through your philanthropy has been—

02-01:30:56
Sandler: Yeah. We get attacked regularly.

02-01:30:57
Meeker: Well, you get attacked regularly. I guess I'm curious about your perspective around organized labor. And what you were doing in the Waterfront, does that highlight an exceptional situation?

02-01:31:14
Sandler: No, I have views on labor, which is I'm very pro-labor, with a caveat. And I think historically, unions have done unbelievably counterproductive things. Look at the musicians union with Pirello, many years ago—way before your time, Martin. They had people who appeared who had nothing to do. I mean, they were feather bedding. The rubber rooms of the unions and the teacher's union, that's ridiculous. It's in everybody's interest to get rid of the bad apples. The people who are incompetent, who don't like to teach, who don't care about children—you have got to get rid of them! Because it holds everything back. It holds all progress, all improvement, back.

So unions, they shouldn't get themselves to that. They ought to be far more sentient or sensitive about the idiocy of some of the things that they argue for, because they are hard to attack when they are not acting in that fashion. Because what they do is terrifically important to the people they serve, and to the economy in general.

02-01:32:24
Meeker: You know, it's interesting, the two sorts of passion that you just displayed right there about it. *On the Waterfront*—I mean, in the movie itself, right?—because you get a sense of how—who are the victims here? It's the workers.

02-01:32:42
Sandler: Of course!

02-01:32:44
Meeker: And you would expect criminal enterprises, like the mob, to take advantage and be narcissistic. [laughs] But it's almost worse when an organized labor union does it, because they are doing it in the name of the workers.

02-01:33:03
Sandler: Why are you surprised?

02-01:33:05
Meeker: Well, I guess what I'm trying to ask you to tell me is at this point in time, when you are doing this work on the waterfront, are you starting to see some of these frustrating complexities that you'll have to deal with throughout your career?

02-01:33:25
Sandler: Power corrupts. And absolute power corrupts absolutely. It happens all the time. And it happened on the waterfront because it was able to work. The real payoff for the unions is what the stevedoring companies, who had to pay up. You know trucks line up; you know the trucks have to pay to get in. Everybody is getting paid off. All these are outrages. These are outrages. Corruption. Corruption! That's what ProPublica is all about! Corruption; betrayal of the public trust; powerful taking advantage of the vulnerable. I can't stand any of them.

02-01:34:14
Meeker: So when you are an attorney working for the Waterfront Commission, were you starting to develop ideas at this point in time about how do you prevent corrupting power to take hold?

02-01:34:27
Sandler: I always was focused on what's right and what's fair. If you are looking for a golden thread, it's probably something like that. I wasn't sophisticated enough yet to think those large thoughts at that time. In '56, I was twenty-five years old. I was a kid! I had a job! I wanted to do the right thing, but I wasn't thinking of the great issues of labor and management. I thought about right and wrong. But not the larger issues that you are speaking of.

02-01:35:15
Meeker: Is that something that still drives you, then?

02-01:35:18
Sandler: Right and wrong? God, yes!

02-01:35:20
Meeker: I mean the basic line of it. So not getting caught up in the complex strategies of putting right in front of wrong, [laughs] but trying to maintain a focus on that bare principle.

02-01:35:37
Sandler: That's the key. We're not in philanthropy yet. But if you look at what's driving us in philanthropy, it's all of those things: right; wrong; abuse of power; powerful taking advantage of vulnerable. That's in everything we've done, virtually, except science. Science is agnostic on these issues. They are just solving different kinds of problems. But on the other aspects, that drives everything I do. Everything I think about.

02-01:36:26
Meeker: Why did you decide to leave the Waterfront Commission?

02-01:36:32
Sandler: That's when I took over my father's practice. But it's interesting: I didn't actually leave the Waterfront Commission, as it turned out. It turns out they thought so highly of me—which I was very surprised about—that they asked me if I would, on a part-time basis while practicing law, be a trial examiner or

hearing officer on a part-time basis. Which I did, which I was very grateful for, because it gave me some income, and I knew the material.

That was one thing I found out. I don't want to be too grandiose. I wasn't like Nadjari, the prosecutor who thought a conviction is like lovemaking. I wanted justice. What's the right thing? What's the right result? And I also felt, have compassion. Understand what this is that happened. Why did it happen, if something did happen? Life is complex. People have strains and stresses. Was this a terrible act? You know, if the people, you are going to take them away from their livelihood? You take them away from their livelihood, that's a big deal. You've got a family? If he's done something really bad, of course you have to do that. But frequently, there are many extenuating circumstances. I'm one of those who looks at the extenuating circumstances to understand what it is, pretty much as my brother did as a judge. So that was important.

02-01:38:19
Meeker: Did you ever do anything in criminal defense work?

02-01:38:21
Sandler: A little bit. When I was handling my father's practice. Yeah.

02-01:38:27
Meeker: Did you find that to be fulfilling in a different way? Or did that come with its own set of problems?

02-01:38:34
Sandler: I don't think I had enough of it to do that. I have an anecdote about something, but it's not germane.

02-01:38:46
Meeker: Go for it!

02-01:38:47
Sandler: So after I came back from the service and I was working, I took some courses in trial tactics. And I had a teacher who was one of the leading tort attorneys in New York. His name was Dan Novak. And he tells a story; he does it in a Southern context which I will avoid, to stay away from the accents, but I'll never forget the story. And you won't either, I think.

So Jim is accused of maiming Steve—"maiming" means severing a part of the body. There is a witness testifying about this, and I am now cross-examining him—this is Mr. Novak doing the cross-examination. "Now, Martin, this alleged maiming took place, am I correct, on November 19?" "Yes, sir." "And as I understand it, it was about 5:30, a quarter to six, on that evening? Is that correct?" And he says, "Yes, sir." "That's about dusk—is that right?" "Yeah." He says, "Yes, sir." "That means it's starting to get dark? You needed the streetlights, didn't you, to see?" "Yes, sir." "Were the streetlights on?" "Yes, sir." "How close was the nearest street light?" "It was about seventy-five feet away." "Looking at the calendar, I believe it was misting that night—is that

correct?" "Yes, sir." "So, Martin, are you telling me that on a dark night, with the nearest street light seventy-five feet away, drizzling, misty, you saw Jim bite off Steve's ear?" And he says, "No, sir. I didn't." And Novak kind of preens at this point. And he says, "Well, then, what did you see?" "I saw him spit it out." The point is to know when to stop asking questions. Now, that silly story has stayed with me all of these years, and I have never forgotten that. And it applies not only in trials, but in life. Know when to shut up.

02-01:41:34
Meeker: [laughs] Okay. Why don't we wrap up today by bringing Marion's story up to date?

02-01:41:40
Sandler: Okay, great.

02-01:41:41
Meeker: We talked about her time at Bloomingdale's, and some of the reasons why she was unhappy there.

02-01:41:51
Sandler: Oh, she loved it! But she didn't want to stay for the next thirty years.

02-01:41:55
Meeker: Right. You had mentioned that she saw the women who had been working there as kind of unhappy—

02-01:42:00
Sandler: Yeah. That's my recollection.

02-01:42:00
Meeker: —and unfulfilled. Her next stop was at Dominick & Dominick, on Wall Street. And we'll pick up the story there, because this would have been a pretty remarkable hire for them.

02-01:42:14
Sandler: Yeah. This is still before my time, so this is what I've heard. You have to know a little bit about Dominick & Dominick. Their nickname was "the Tiffany of Wall Street." They were kind of the upper echelon, classy firm. And there were no women, essentially, in Wall Street. Wall Street was not looking for women. The only jobs for women were secretarial or assistants to a customer's man—a broker. To the best of my knowledge—this could be wrong, but others have confirmed it—the only woman working in an executive role on Wall Street at the time Marion went there was a woman named Muriel—or "Mickie"—Siebert, who later on was the first woman to own a New York Stock Exchange seat. She also later was banking commissioner in New York.

So Marion was, like, the second woman, and it was a big deal for Dominick, as it would have been for any firm. When she went looking, incidentally, an interesting commentary is that all of the firms—she wanted an executive

training position, and none of the firms had human resource departments except for Merrill Lynch. They were the only ones who actually had a human resources department. Other than Merrill, other films sent out one of the young partners to do the interview. So Dominick sent out a young partner named Avery Rockefeller, Jr.—Pat Rockefeller—and interviewed Marion. And then, they had a partners' meeting, and they decided, for whatever reason, to put her on the executive training program.

In addition to the fact about how women were regarded, one of the problems, they thought, was that a woman would come in to work, she would get married, get pregnant, and leave. It turned out Marion was the last of her class to leave. She stayed much longer than anybody else who was on the program when she was there.

02-01:44:10
Meeker: As part of the executive training program?

02-01:44:11
Sandler: Yeah. So other people had left years before she did. She was there for five-and-a-half years, which was much longer.

02-01:44:17
Meeker: The position was actually as a broker?

02-01:44:20
Sandler: No, as an analyst. First of all, with training, she worked at every department. When they train you, you work in literally every single department, and one of them is delivering securities. That was the only thing she didn't do. The other funny thing is, when she went to work in the back office—do you remember the expression "calendar art?" You know, it's a woman, like get Marilyn Monroe in a brief something or other?

02-01:44:45
Meeker: You still see it at garages. [laughs]

02-01:44:46
Sandler: Yeah. And what it had, when Marion went to work there, when she had to—like the other people, they all went to train that way; they went to every department—it was covered up with a big sheet of paper, and it said, "By order of A. R., Jr."—Avery Rockefeller, Jr.—they had to block out the sexy picture on the wall when Marion got there. But other than that, she did everything that everybody else did.

But she was hired, then, to become a security analyst, and she started with what we would call the mature industries: papers; containers; non-ferrous metals. These are companies that have been around for a long time; are very experienced; usually very experienced leaders.

02-01:45:33
Meeker: This is kind of like Alcoa and those kinds of companies, or—?

02-01:45:35
Sandler: Yeah, yeah. The big paper companies, and all these major industrial companies. And then she was assigned the banks. And later, savings and loans started to go public—one went public in 1955, but most of them started to go public in 1959. And because she was covering banks, she was the appropriate person to cover savings and loans, and she became the leading savings and loan analyst.

02-01:46:03
Meeker: Can you describe what a securities analyst does, exactly?

02-01:46:06
Sandler: Somebody who reviews the financials of companies, meets with management and evaluates management, and makes a recommendation as to their opinion about whether to buy or sell, or whatever else you are going to comment about them. They're the intellectual resource for those who buy and sell stocks.

02-01:46:31
Meeker: So her clients, if you will, would have been the brokers within the agency?

02-01:46:38
Sandler: Money managers. Fidelity, all the mutual funds; locally, Dodge & Cox, Schwabacher & Company. Dominick also was a wire house, and there is kind of a funny story about this. "Wire house" means that they supplied research for other similar firms. So Schwabacher was on the wire for Dominick, and when Marion did a piece of research, at the bottom of it would say "Osher"—O-S-H-E-R, her name—dash-"stat"—S-T-A-T, statistical.

And the funny story is she was out on the West Coast once, because she was going on vacation to Hawaii. And she thought it would be okay—she asked permission: would it be all right? And they have to have a partner's meeting to decide whether it would be okay for her to see a client out in the field. And she went in to see Schwabacher. Now, remember, all Schwabacher gets is they see her work—"Osher-stat." So she was sitting in the reception area, and people kept walking in to the outer room, and then walking back—looking for somebody, and walking back. They were looking for a man, because they were told that Osher is there. They were looking for a man. And then secondly, they didn't think this cute little girl—even if it was a woman, was certainly not going to be this little doll here that was there! It took her a long time before they realized who she was.

The other funny story is when she was at Dominick for a short period of time, somebody she knew from when she was at Wellesley and Radcliffe, a fellow named Wally Stern—who is still around; he was a senior person at a company called Burnham and Company—met Marion on Wall Street. He says, "Marion! What are you doing here?" And she says, "Well, I work at Dominick &

Dominick." And he says, "Well, do they know about you?" When I heard this story for the first time, I wondered, "Did he mean, 'Do they know you're a woman?'" I figure they could tell that pretty quickly. And she says, "Well, what do you mean?" And he says, "Well, they're a white shoe firm." She's kind of a hick; she's from the boonies. She says, "What's a white shoe firm?" And he says, "Well, do they know you're Jewish?" And she said, "They do now. I just asked for the High Holidays off."

But it was strange. I mean, women were not on Wall Street. Essentially, at that point, to the best of my knowledge, there were two women in non-clerical jobs: Mickie Siebert and Marion Osher.

02-01:49:17
Meeker: Did she ever speculate about Avery Rockefeller's motivation for bringing on a woman, and, at least in a very minor way, trying to make her feel comfortable there?

02-01:49:31
Sandler: Well, she became very close to Pat. I'm not going to answer your question directly, and then I'll come back to it.

One of my favorite stories is, you know, Rockefeller is a big name. And Pat was young, and Marion really liked him, and he really liked her. And I became very close to him also after I had met Marion. And but he wrote something—put it this way—a piece of research came on her desk, and it had at the bottom, "A. R., Jr." And Marion thought it was terrific. So she walks into Pat's office and she says, "Did you write this?" And Pat says, "Yes, and I can read, too, Marion." [laughs] And she learned a lesson.

So it was really very interesting. Pat was a wonderful person. But it was a firm decision, because every partner had to pass on that. When Marion made that trip I alluded to, they had a partners' meeting. She had been there for four-and-a-half or five years already; they had to have a partners' meeting: could a woman represent Dominick outside of the office, physically? Even though she was not doing anything special or anything, of that kind.

I don't know what was in Pat's mind. He was clearly younger and more adventurous. I don't know, and I don't know that we ever discussed it. Pat became important in my life as well, so there are stories about something there; I don't know if you want that now, or whether it fits.

02-01:51:31
Meeker: If you would like.

02-01:51:33
Sandler: So one of Marion's former boyfriends was a person named Haim Shwisha. He was Israeli, and he was an inventor. One of his inventions was the teaching machine. This is one of the first versions of it. It's a kind of thing where you

would ask a set of questions, and the trick of it was you couldn't move to the next question until you got the last one right. So it was a way of educating people. And Pat Rockefeller was on the board of a company called Grolier. They put out books like *The Book of Knowledge*, and all of those kinds of encyclopedia stuff. Very big, famous company. And Marion had told Pat about this teaching machine, and Pat then met Haim, and they were very interested, and they entered into an arrangement. They wanted to make that one of their products, as part of it.

It turns out that Haim was a very difficult, volatile person. And I came to represent him. This is really very important in the Sandler story, because Haim would get furious at Grolier and cause all kinds of problems, say he's going to quit them. Or I'd get calls at all times of the day and night from Haim screaming about them. Or I'd get a call from Grolier: "We can't deal with this person anymore." And so I was on call continuously.

And it turned out, as I found out, which I didn't know before, that I'm really pretty good at this. I'm pretty good at engineering agreement, and finding out, where people have disagreements, how to resolve them. How to get over problems; how to resolve problems. I understood the human element. And that started to give me a newfound confidence: that most people, it turns out, aren't good at that. And that was critical, as were some other examples I can give you, in going to California to manage a company. That I really had certain talents which to me seemed obvious, but to others, seemed very, very difficult. And so I made that thing work for a very long time, with a very difficult person.

There were other examples of that. There were a couple of business situations. Marion had invested in a manufactured housing project in a place called Washington, New Jersey, with two lawyers who were friends of hers, and it fell on bad times at the time I became involved with Marion. And so I worked with Marion to resolve that, and I actually took over all of the problems to get her out of that investment without losing any of her investment. Which involved going to Washington, New Jersey, the both of us. We'd drive out on a Sunday. I would talk to tenants, I would talk to brokers; I would get new tenants; I would try to sell the houses. And I learned I was pretty good at that. So that also added to my self-confidence. And then Marion had been given a small trust by her father, much of which was in various properties, not in cash. And there was a hotel in Old Orchard Beach, Maine, where she was not getting the payments on it. And I resolved that problem, which involved a whole lot of complications.

And it turned out that these experiences in working with Marion's problems—her boyfriend, and the two investments—it turned out I was really very good at that. It seemed easy to me—complicated, but easy, but involved understanding how to resolve business problems when the law played a part in it, but most importantly, the human problem, and dealing with people. And I

learned that I had a talent that others may not have had. Had those three or four, or the couple of others, not happened, being a coward and not having the courage that Marion had, I don't know that I—as much as I wanted to do it, whether I would have had the courage to move to California to buy and operate a financial institution.

02-01:56:32
Meeker: Well, these are things that we'll certainly follow up on as we talk more about your and Marion's partnership—

02-01:56:38
Sandler: Are we going to talk about our meeting at all?

02-01:56:40
Meeker: Well, we'll get there. Let's finish her story at Dominick & Dominick, and then in Oppenheimer. I think we have a few minutes.

02-01:56:58
Sandler: Okay.

02-01:56:59
Meeker: Why did she leave Dominick & Dominick?

02-01:57:02
Sandler: That's another great story. So Marion became [one of] the leading savings and loan analysts on the country. She was the most respected, the most quoted; she was an advisor to *Fortune, Time,* and *Businessweek*. Their people called her all the time. She was a big name. She was a star.

Anyway, on Wall Street, when people meet one another on the street, they don't say, "Hello, how are you?" as most normal human beings do. According to Marion, they say, "What do you like?" So she's walking down the street, and a guy named Gene Fenton sees Marion, and he says, "Marion! What do you like?" And Marion says, "The savings and loans."

Now, I have to tell you a little bit about Gene. Gene had grown up very poor, and made a lot of money trading. He had no money, but he just took a lot of leverage, a lot of risk, but he was brilliant. And made a ton of money. And he was working at Oppenheimer and Company, and he was telling her why she was wrong. And Marion explained her point of view. And she thought they agreed to disagree.

Well, it turned out that Gene is not only smart—he is thoughtful. And he says, "Look: Marion is a very smart person. She is saying the opposite of what I think. I'm going to do more research." He ended up doing more research, and what happened is that he changed his mind. Not only did he change his mind, he felt so strongly about it that he urged Oppenheimer, where he worked, which was a relatively new company at that time as was Donaldson, Lufkin & Jenrette. Oppenheimer is one of two new companies that had a different way

of operating. It wasn't who you knew. They said, "We are going to provide you with quality research and advice that others don't have. We are the smartest guys on the block." One was non-Jewish, one was Jewish. But they both were focused on value. Heavy on research.

And Gene made the pitch to the partners about how good the savings and loan industry was, and they had recently started the Oppenheimer Fund, which today is a very famous fund, and they bought the story. And they eventually put a large percentage of the assets of the Oppenheimer—this relatively new fund—into the savings and loan industry. And what happened in the following period was it went like this. It didn't stay flat, it didn't go 25 percent up—it went through the roof. And the Oppenheimer Fund became one of the most successful funds on Wall Street.

02-02:00:10
Meeker: In part because of the savings and loan investments?

02-02:00:12
Sandler: Not in part! Almost entirely. Because they had invested heavily in it, and it just went up like this. It was amazing to look at the charts.

So they were really excited, and they had somebody who became my closest friend, a fellow named Leon Levy, who was the genius behind Oppenheimer and Company, and his key partner, somebody named Jack Nash, who was a great operator, they got so interested, not only did they put the fund into it, but they decided that they wanted to buy some small, private companies as a personal investment. Which they proceeded to do. And they bought four of them fairly rapidly. And then they sent Gene Fenton out to manage them. And that was—

02-02:01:00
Meeker: When you say private companies, you mean thrifts, or—?

02-02:01:03
Sandler: Yeah. The kind of companies that Marion and I ended up buying, they bought small thrifts—$10 million, $20 million, $30 million, $40 million in assets—located in different locations, and they planned to build them up, take them public, and make a fortune. They had one problem: Gene was a lousy manager. Brilliant on numbers, but terrible people person, terrible manager. That's another part of the story. While Gene was going out there, they had to replace Gene, and Gene said, "There is only one person to hire. The smartest person on Wall Street on the savings and loans is Marion Osher."

So they asked to meet with Marion, and they made an offer which was frankly fantastic. It was financially better; she would have far more freedom; she'd be able to travel for the company. I mean, they didn't have all these same hang-ups. They weren't the same type. Much more aggressive. This is very interesting—psychologically, it's interesting: Marion found it very difficult to

accept. And she was driving me crazy, because she wouldn't give them an answer. She knew she should do it, and yet she wasn't calling to say yes. And actually, what happened: one day, I said, "Marion, you are driving me crazy. Make your decision. Call them tonight. I don't care what you say—just make a decision." And she called Leon that night and took the job. Which, I mean, it was so much better a job.

And I do remember, Dominick had hired her, the first woman, and she became a princess. And have I ever told you what happened when we got engaged?

02-02:03:01
Meeker: Why don't you save that for next time?

02-02:03:02
Sandler: Okay. But so, see, she was a princess at Dominick. They loved her. And she found it just so hard to do the right thing, to make the right decision. And she did tell Pat the next day what she was doing, and Pat said to her, "Oh, Marion, the Oppenheimer and Companies, they come and go. Dominick's here forever." As it turned out, Dominick got in trouble a few years later. [laughs] And they came on bad times, and Oppenheimer made a lot of money.

02-02:03:40
Meeker: Oppenheimer is still around, and Dominick is not.

02-02:03:42
Sandler: Yeah, but it's gone through several owners, though. Leon, who was a genius, they sold it at some point, and they did very well.

02-02:03:49
Meeker: Did Pat try to retain her in any way?

02-02:03:52
Sandler: Oh, yes! He was heartbroken. He tried to keep her, and tried to talk her out of it. She wasn't focused on the money, but Oppenheimer and Donaldson, Lufkin & Jenrette were the real hot firms to work for if you were interested in quality research. Great reputations they were developing. And she became a part of it, and she was her own boss. She didn't report to anybody. I mean, she was already the number one analyst, and now she could do everything she wanted.

And she ended up bringing in an incredibly big piece of business to Oppenheimer—the biggest piece of business they ever had. A company named Lytton Financial trying to raise some money, and Marion did something I think certainly Oppenheimer had never done; it was very rare. It was a combination of straight preferred debt and convertible preferred debt, which is very unusual to have that combination in those years. And she successfully completed a private placement which A) made a lot of money for Oppenheimer, but reputation-wise, it was critically important. She did it by herself. It was her!

02-02:05:10
Meeker: What was the Wall Street world like at this point? And kind of in a demographic sense, because—

02-02:05:18
Sandler: It was all men!

02-02:05:19
Meeker: Well, it was all men, but—

02-02:05:20
Sandler: All white men!

02-02:05:21
Meeker: —what about the size of it? I mean, you know—

02-02:05:23
Sandler: Oh, it was a big deal. I mean, Wall Street was Wall Street. Wall Street's always been Wall Street.

02-02:05:27
Meeker: So there were many thousands of people—

02-02:05:29
Sandler: Yes, yes, all over the place. All those streets down there were filled with them.

02-02:05:39
Meeker: And so for her to rise to the top of—

02-02:05:42
Sandler: It was a big deal. It was a big deal. I mean, I was a nobody, and she was a superstar, and that's accurate—not making this up. It was an accurate description. I mean, what she saw in me I'll never figure out.

02-02:05:57
Meeker: [laughs] Well, next time we meet, we'll talk about you meeting, and you can tell me more about what you saw in her.

Interview 3: February 21, 2017

03-00:00:03

Meeker: Today is Tuesday, February 21. This is Martin Meeker, interviewing Herb Sandler for the Sandler Family Oral History Project. This is interview session number three, and we are here at the offices of the Sandler Foundation in San Francisco.

So today we finally get to get started on the Herb and Marion story, as we have been following your lives up to the point that you met. Why don't you set the stage for me, and tell me about where you were in your life when you met Marion?

03-00:00:47

Sandler: Oh, my goodness! Well, let's see. We met in the summer of 1960. I was twenty-nine. I lived with my parents and my brother, in the same apartment we had lived in for many years. I was practicing law, and also I was a hearing officer, or trial examiner, for the Waterfront Commission, for whom I had previously worked. My brother was in the district attorney's office, and my father, in early 1960, was appointed a judge by then-mayor Wagner. And I, together with seven other men, rented a house in the Hamptons. It took eight of us to be able to afford it, although I really couldn't afford it, [clears throat] because, as indicated earlier, all of my earnings went to support the house, and the problem being my father's gambling, in large part.

What happened was that Marion, whom I did not know, but who knew somebody in the house with us, had been invited by that individual to visit whenever she was out there, and she also had a house with another woman. And she came over one Saturday, and it appeared to her that nobody was there. And she was leaving a note, which she and her friend thought was simply hilarious, and they were giggling. As it turned out, I was upstairs taking a nap, from which I was awakened, and as Marion put it, I clomped down the stairs, and as I put it, I never slept again.

So that was our meeting. And after that, we used to take walks on the beach together. She complained that I was too interested in volleyball rather than walking with her. I was frightened to get into any relationship. I was frightened of woman at that time; was not somebody who had gone out a lot. And there is one kind of charming incident: one day when we were walking on the beach, I saw somebody whom I knew, somebody by the name of David Zaretsky, who was in the investment business—very small-time operator. And my brother and I had visited him the previous week, and he had shown us what is known as a "red herring," which is a preliminary prospectus when a company is about to go public. And what the SEC requires is that you have certain language on the left-hand margin which is in red, and it was called a red herring. Until I saw the red herring at David Zaretsky's office, I had no idea what it was.

So I said, "Oh, Marion, let's go over. I'd like to go over to talk to a friend of mine, Dave Zaretsky, about the red herring he showed me last week." And Marion gave me an incredibly innocent look and said, "What's a 'red herring?'" And thank god, I told her I really knew very little about it, and I had only seen my first one that last week, so I was totally truthful, honest about it. That ended up in a story on the front page of the business section of the *New York Times* at the time we went public some years later, and the reporter's language was, "Marion Osher, disguised in her bathing suit against her real identity as a financial analyst, described that situation." And it was kind of interesting, because had I been a total phony, I would have built myself up. But only being a partial phony, [laughs] I didn't. I think that was important to her.

03-00:05:51
Meeker: At what point did you learn who she was?

03-00:05:54
Sandler: We talked about it later, and she explained that she was a financial analyst. She was the essence of truth; no phoniness, pretense, or baloney.

03-00:06:17
Meeker: Do you recall precisely what happened that first time that you met, when you were asleep and you came downstairs?

03-00:06:25
Sandler: [laughs] I was laughing with them, because they were laughing; they were in a very jolly mood. They looked like two attractive young women. Which didn't mean much to me, because I really didn't date. It was very few women with whom I dated prior to Marion. And for reasons that are honestly unknown to me, I think she was attract—I know she was attracted to me, because she told me later. And I don't really quite understand why. So on my side, there was insecurity, lack of confidence, pressure, discomfort, but attraction. On her part, she was just attracted, and wanted to find out more about what made me tick. They were much more experienced. She dated a lot. I mean, she was incredibly popular. So it was an odd situation, frankly.

03-00:07:34
Meeker: How did you get from a chance meeting on a door stoop to walks along the beach together?

03-00:07:40
Sandler: I don't know if you know anything about the Hamptons in those days. It's very social. There is always something going on, and people always meet on the beach, the East Hampton beach. And I suspect she wanted to see me. And so I don't remember the detail of it, but it just happened that you'd see a lot of people you met, and I saw her, and I really enjoyed walk—and she wanted to walk with me. And she was, in fact, very annoyed, because I loved to play volleyball, and she couldn't understand how I could play volleyball when I had the option of walking on the beach with her and talking.

But I very quickly was very attracted. Then my next fear is I was spending all of my time practicing during the day, and at night, I was out campaigning for my father in the elections. And actually, I must admit, one of the factors that facilitated what happened is that she lived in the district. And she lived in a building where there were doormen, and you could not leave your material, your promotional material, in that building, because you couldn't get in. And so my rationalization was, [laughs] I've got an "in" in this building at thirty-nine Fifth Avenue, which is right in the district. And that what happened is, as I became more and more enamored and attracted, and was falling in love with her, almost every night, late, after work, I would come over. I would spend time there before I went home to my apartment.

So I was beginning to see her every night. And I remember very early on—it was kind of touching, in retrospect, at least on a personal basis. So I lived on the Lower East Side, and she lived in Greenwich Village. And the best way to get from my house to hers is you go up Third Avenue, which is the Bowery, and she had a convertible Chevrolet, and she gave me a lift home one weekend on Sunday night. I knew I was hooked, because I was so worried about how was she going to get up in her car to go through the Bowery? She wouldn't have been accustomed to that. And I was giving her very precise directions about locking the doors, and not stopping at anything. Keep going. You stay in this street. Just go straight through this. Do that. I gave her enough time to get there, and I called her to make sure she was okay. And it became clear that I was very involved emotionally with her.

03-00:10:37
Meeker: And also, perhaps, she was quite capable of making her way through town?

03-00:10:42
Sandler: Yeah. You know, she came from a small town, but she had a lot more big-city experience than I had. I mean, she was taken out by men frequently. I met most of them subsequently, and many of them became my clients.

03-00:10:59
Meeker: I'm curious. I've never been to the Hamptons. And so was this like a weekend house that you would go out to every weekend?

03-00:11:06
Sandler: Yeah. Oh, yeah. Weekends. Some people took their vacations there if they had their—I must have had a vacation. Since I worked for myself, I didn't have an official vacation, but I must have taken time off. But it was definitely for weekends. So there are lots and lots of young singles there, and everybody is very friendly, and an enormous number of parties. You couldn't be on the beach and not get invited to three or four parties, by people you knew, or by people you just met—oh, we got something going on in such-and-such. And there was a lot of that kind of thing. Again, I was in a group, so if you take the group, everybody knew somebody else around, so you just knew a lot of people.

03-00:11:56
Meeker: Can you tell me about the character of this group? Like who were your friends? What kind of background did they come from?

03-00:12:04
Sandler: So, let's see. My closest friend was Bob Pitofsky, who had been a classmate of mine at law school. There were a bunch of lawyers. There was Norm Dorsen, who was a professor at NYU law school, at one time, the president of the ACLU. Very distinguished, important figure in the field of civil liberties. Jerry Oscar, who was an attorney. There was a doctor that was the one who knew Marion—a fellow named Ron Tepper. I didn't know him before. Another attorney, Marty Richman, whom I didn't know before, but who actually played a small role, which I could describe to you if you want. A fellow named Barry Biederman, who was in advertising, who we knew before. So we had very bright, accomplished people in the same age category. I'm leaving out somebody, I know, because there were eight of us.

The Marty Richman story, since I mentioned it, is he was attracted to Marion. And he was approaching her, and making it clear he wanted to date her. And she said, "Well, let me be honest with you: I'm really very much interested in Herb." And his response: "Well, he's not my fraternity brother." [laughs] I had never heard that expression before, but I guess in some circles, it meant something! He wouldn't have hit on her if I was a fraternity brother, but otherwise, she was fair game. That always cracked me up.

03-00:13:49
Meeker: Was there a certain point in getting to know her that you realized there was something beyond dating?

03-00:13:58
Sandler: Yeah.

03-00:13:59
Meeker: There was a shared vision and value system?

03-00:14:05
Sandler: Here I am, an inexperienced guy—afraid of women, not comfortable, not much dating experience—but a lot of my friends dated, so I was always involved in everything. And I meet this unbelievable person. So let's set to the side that she was cute, adorable, and all that. Incredibly sweet.

I mentioned—but it's very important, because this pervaded her life—a total lack of phoniness, pretense; totally straight at all times. There used to be an expression—I don't know whether it's offensive; I guess it is. But it was popular at one time. You would describe certain women as "JAPS." It meant a "Jewish-American princess." She was the antithesis of everything that's implied in being a Jewish-American princess. There was no sense of "I am special"; just totally straight, and honest, direct, witty, mischievous. It was the

whole ball of wax. You know, and I can speak: now, after having been married for fifty-one-and-a-half years, that's what she was, all the time.

So that didn't take long. It was very fast—I mean, I just was hooked. And this was something that happened there. I remember very clearly: she wanted me, and she snared me. And I was just blown away. So I said, "We should get married." And she said, "I'm going to have to think about that." And I was really furious, and I told her, "You got me! And you can't say that now!" Then she said, "I've got to think about it." And I remember telling her, as she put it, in my most romantic, charming way, "You know you're going to marry me. Stop wasting my time."

03-00:16:43
Both: [laughter]

03-00:16:46
Sandler: I really did say that.

03-00:16:49
Meeker: When you proposed to her, was it a romantic thing? Or was it as you just said it, which is, "Hey, we should really get married?"

03-00:16:55
Sandler: I honestly don't remember. I know I actually did an official proposal at some point. But there was also things like, "We ought to be getting married." And I really was stunned by her reaction. And that was my reaction, because I knew it was reciprocated.

03-00:17:19
Meeker: When did she finally officially relent?

03-00:17:21
Sandler: Not too long. It wasn't too long. But I did tell her, "Stop wasting my time. You know we are going to get married."

There was one thing that did trouble me. She knew my financial situation—and I'll talk about that in a minute. But she really wanted a wedding ring. And I didn't have money. And I couldn't understand why. And that did trouble me, because I couldn't comprehend how somebody who was so caring, who was so empathetic, who was so sweet would want to put that pressure on me. And I guess it was something that she was socialized about that made it important to her for some mysterious reason. I was able to borrow the money from an uncle. And that was all she wanted, but it did make me ask a lot of questions. Was that going to be a problem? Was she money oriented? It had nothing to do with money; it had to do with some mysterious thing that she felt emotionally. Other than that, it was clearly, we belonged together. It was totally clear.

So, I'll jump ahead: during our lives, I never went out for a night with the boys, and she never went out for a night with the girls. Because neither of us thought there was anybody more interesting or more fun to be with. So each of us had enormous numbers of invitations, but unless she was included, I wouldn't go. And it wasn't because I felt pressure from her; I just thought it would be less interesting. Because there was nothing about—and this became clear early on—there was nothing about which either of us were interested in that the other person couldn't have intelligent, thoughtful—frequently, on her part—creative, unique idea about it. There used to be a line Kennedy used about having dinner or something with Thomas Jefferson rather than the whole—I'd much rather have dinner with Marion than with anybody else. And that continued to the end.

03-00:20:18
Meeker: Often, a key point in a relationship is when you introduce your paramour to your family. Was that an important moment in your relationship?

03-00:20:29
Sandler: Oh, sure, because, well, I hadn't introduced anybody before! But my mother's reaction was really quintessential Jewish mother. You would think she'd want to get rid of me at this point. You know, her two sons, both shy, both afraid of women, are still at home at twenty-nine and thirty-four. And: "I think she's too old for you. I think she's more appropriate for Len."

03-00:21:10
Meeker: And she was one year older than you, right?

03-00:21:12
Sandler: Yeah, one year. And then Marion had been collecting art, and my mother was up at the apartment, her apartment, and Marion had a beautiful George Grosz nude. And she would say, "Here is an older woman with nudes in her apartment. Do we really know all about her?"

So that lasted at the beginning, but what happened afterwards was that I think she became truly more fond of Marion than of me. Marion was the dream daughter-in-law who understood where my mother was coming from, who knew how to respond to that—again, being totally natural. There is no phoniness in it. And my mother just adored her afterwards.

03-00:22:11
Meeker: What about meeting the Osher family?

03-00:22:13
Sandler: Yeah, that was interesting. [laughs] Oh, gosh. Her father was deceased, her mother was an immigrant woman, and she had four older brothers. Let's see. The first one I met was her mother, at her apartment. She was visiting. And her brother Barney came in with a couple of his friends. And he starts going to his mother—and I remember this very clearly; actually, I mentioned it to him a couple of weeks ago—and which he said, "So, Ma, shall I make you a

martini?" Of course, she doesn't drink. And she starts to giggle. You know: "Oh! Oh, Barney, stop!" "Ma, come on—you want one or not?" He said, "Look, he's going to find out you're a drinker!" You know? And she's, "Oh! Oh!" That was my meeting with Barney. And she was just a type I knew quite well, actually, so that was not a problem. But he was clearly a tease, a kidder, and that was very pleasant.

And then we were in Boston. I don't know if we were on our way to Maine, but we had dinner at a restaurant called Locke-Ober. I remember that very clearly. Three of the brothers were there, and the mother, and I got to meet brother Harold, and brother Alfred. Bill was not there, because Bill was living in Oklahoma at that time. And I met them, and they were very, very supportive of us. They wanted to make sure that I felt very comfortable and easy.

And then I would see them all up in Maine. Marion's mother, during the wintertime, lived in a hotel, a little hotel, which she owned, which is where the bus came to Biddeford; it stopped at that hotel. She had a living room and she had a bedroom. It was easy to put me up, because she had plenty of rooms. And then if we came during the summer, they had a little cottage in a place called Old Orchard Beach. And there was room there as well. And so I was treated very, very well by the family.

I do remember Marion's mother asking Marion when Marion asked her, "How do you like Herb?", and she reports that her mother said, "He is very nice, but does he have a backbone?" [laughs]

03-00:24:57
Meeker: What do you think she meant by that? What was she concerned about?

03-00:25:01
Sandler: Did I have strength? Did I stand on my own two feet? I guess I came across as a very sweet, nice guy, but she didn't know what there was behind that. Yeah.

03-00:25:15
Meeker: You were married in 1961, right?

03-00:25:17
Sandler: Yes, in March, in Boston.

03-00:25:19
Meeker: So this was less than a year after you met?

03-00:25:22
Sandler: Oh, it was fast. We met in August. By the end of September, I was in love with her. It was clear we were going to get married by October. And the rest of it was picking a date which fell between the holidays and when people were around. You know, we were not children any longer. I may have been inexperienced, but I was not a child. And I knew what it was.

I did leave out one thing, and that was the mutual confessions.

03-00:26:01
Meeker: Well, you had mentioned in a previous interview about the loan.

03-00:26:04
Sandler: No, I'm talking about—

03-00:26:06
Meeker: Oh, this is something else?

03-00:26:06
Sandler: —mutual—precedes it. So we went up once to the place that we both loved, The Cloisters. I don't know if you have ever been there; it's just beautiful. The Unicorn Tapestries; the music. And we were parked in the car, looking over the water, and she said, "There is something that I have to tell you. And that is that I have severe asthma." I said, "Yes? So what else?"

Of course, that did ultimately lead to her dying when she did, and it affected her life enormously, and my life enormously. But I thought nothing of it, and I said, "I have something to tell you. And that is my father is a gambling addict." And I told her all of the story about that. That bothered her somewhat, because she didn't know whether she was marrying me, or the family problems as well. And I guess in part, she did inherit the family problem. Just as I inherited her asthma, she inherited the family problems—which, I think in an earlier discussion, we talked about the fact that at some point after we were married, she saw I couldn't sleep at night worrying about the debts. And she had me borrow from a bank—she cosigned—so I could pay everybody off and just have that single debt to pay down.

03-00:27:42
Meeker: Can you tell me about the wedding itself? The ceremony?

03-00:27:46
Sandler: Yeah. Are you interested in anecdotes? [laughs]

03-00:27:51
Meeker: Yeah, yeah. Well, where was it, and who attended, and—?

03-00:27:53
Sandler: How can I blank on the name of the hotel? It's no longer there. Somerset Hotel, in Boston.

There were several funny incidents. One day, Marion and I were going out, and I think we were taking her mother with us. And we saw that an hour or two hours right from the time we were walking out of the hotel, there was a cocktail party in our honor, put on by her brother Barney, and, of course, family friend Sam Cohen. It said, "Osher-Cohen," and it had some kind of a funny invitation. They had forgotten to invite us. And we were on our way out

of the hotel for the evening. It was the night before the wedding, and that was kind of a good start to that.

So that was one thing at the wedding. Now, there was something precedes it that I found fascinating. Prior to the wedding, when they were doing the wedding invitations, we were in my mother-in-law's living room, Marion and I were there, and her son Alfred was there. And they were going through who should be invited from Maine, because this was a big event. The Oshers were a very prestigious family in this very small community, and everybody from that area would want to come, from Portland and from Biddeford, and so forth. And Alfred nursed grudges. And every so often, there would come a name, and he would veto them. And then his mother would try to persuade him to release his veto, because they were friends, or they knew them, but they had once crossed him in a way that made him angry, and he nursed the grudge all those years, and this was his chance to get even. And for me as an outsider, it was just one of these amazing afternoons listening to one saying, "No," and the other one, "Oh, come on," and "I know her mother will feel so badly," or this, that, and the other thing. So that was fascinating.

Then there was a big debate about which rabbi to use: the rabbi from Biddeford, or the rabbi from Portland. All of her sons thought it should be the rabbi from Portland, because the rabbi from Biddeford was very old fashioned, not with it, et cetera, et cetera. Of course, Mrs. Osher was concerned that his feelings would be hurt, so there was a part of the ceremony which he would be given, which would be the so-called "blessing of the bread."

So I'll skip forward to that. We are at the wedding. The marriage is finished, and we are sitting at the head table, and it comes to the blessing of the bread. And it was this guy's moment in the sun, and he was not going to relinquish the floor. And I get very excited at things that are inappropriate. And it went on, and it was at least fifteen minutes; it should have been three minutes. Marion kept holding me down, because I wanted to rise and stop the whole thing, and she wouldn't let me do it, because it would be too much of a furor.

But in any event, for the rest of our lives, any time anybody went on and on, Marion said, "So it's the blessing of the bread!" Of course, you must have been at events where somebody goes on far too long, and that, for us, for fifty years, became the blessing of the bread. How things stay with you.

One last funny thing. So after the ceremony, Marion and I, after the evening is over, we went to a different hotel where we are staying before we headed down to the Virgin Islands for our honeymoon. And Marion forgot her purse. I rush back, and it was in her mother's room. And I knock on the door, and I open it, and they see me. Marion's mother and Marion's sister-in-law, Bill's wife, was there with her, and the look on their faces when they saw me—it's as if "am I returning her already?" is the look. A look of shock, despair, fear. If I could have had a picture of that, it would have been perfect. But I have

never forgotten that: this look as if I am turning her back in and then walking away out of the whole thing. All I wanted was her purse!

03-00:32:56
Meeker: When you two were courting, or maybe after getting married—well, I guess, at what point did you talk about family?

03-00:32:05
Sandler: Children?

03-00:32:06
Meeker: Yeah.

03-00:32:09
Sandler: I can't remember when it started. It was the kind of thing, though, that I think we both always assumed we would have children.

I think one interesting memory is I think Marion was unsure of how good a mother she would be. So there was an uncertainty, but we always knew we would have children. But she did have that fear, and boy, was that a nonsensical fear. Because she was a good a—a far better parent—I was good, but she was sensational. I mean, totally even, totally consistent, totally loving, totally affectionate, totally caring, totally smart. So that was a worry she had that was silly in retrospect. But I do remember her having some concern about that.

03-00:34:14
Meeker: Did you ever express any concerns or harbor any concerns about the role that her career would play in your lives together?

03-00:34:22
Sandler: Oh, no. No. I was thrilled. Here is this brilliant person who was so effective and so accomplished. I was thrilled. She was making multiples from the beginning of what I made, and I loved it—not for the money, but I loved her success. All my friends had been on law reviews from Columbia, Yale, or Harvard. Those were my closest friends. It used to astonish me how people on Wall Street got paid so much more than the best and the brightest in America, and most of them were so pedestrian. And Marion was actually not pedestrian—she was actually exceptional.

So there is a funny story. My brother came by the apartment one day. I can't remember whether were married yet or not; I don't think we were married yet, but it was close to getting married. And he had a friend of his from the district attorney's office whose name I can remember—that's how sick I am—named Larry Feitel. And he came into the apartment and met Marion, and I remember him saying to Lenny, "Oh, he can't handle her. She's too much. She is off the wall. Well, that'll never work. They will never go anyplace." And I think that represented the view of a lot of men of that period.

I at no point ever felt that. I felt exhilarated and thrilled by how smart she was. I mean, that's a dream. That's a dream: that I can be with somebody whom I have all these emotions for, but who is smart as a whip, and has such interesting points of view. And I can share in it! Wow!

I know we are going to talk at some point about a glass ceiling. It's really similar, and I'll just mention it now. There is an interview with Ruth Bader Ginsburg, in which she discusses her relationship with her husband, Marty Ginsburg. And as I read it, I am saying, "Oh my god! That's the same! Exactly the same feeling."

03-00:37:06
Meeker: What did the justice say in that interview?

03-00:37:09
Sandler: Well, why don't we wait until we get to that, because it should be a longer discussion.

03-00:37:15
Meeker: When did it first become a possibility that you two could do something together? Was that ever discussed prospectively or imaginatively in these early couple of years?

03-00:37:32
Sandler: No. So I'm talking about her as a superstar, which she was. Remember, here she is a woman hired at Dominick & Dominick; the first woman at Dominick & Dominick—a ninety-year history. To the best of my recollection, only two women on Wall Street at that time in significant positions. But at the time she left Dominick, she was really a princess. I use that word because that's the way she was treated. She was special. Everybody got it. They got that she was special.

I was a small-time lawyer. That's one of the reasons I didn't quite get why she was so interested in me. Although she always did tell me she wanted to marry somebody tall, because she wanted to marry a ladder. Because things are high on a shelf, she would always—instead of calling me, she would say, "I need a ladder," and that would be my quest. So I missed that, but my experience was nowhere comparable to hers.

And I think described, did I not, in an earlier discussion, about one of her former boyfriends who was an inventor: Haim Shwisha? Did we talk about that yet?

03-00:38:54
Meeker: I don't recall that.

03-00:38:55
Sandler: Oh! So I should tell you.

So it becomes clear to me post-law-school that I could handle myself. I may not be the brightest guy, but I'm clearly among that group. And all of my friends were on law review, with one exception. This one other person and myself, in our group of eight or ten, we're the only non-law review people, which meant that we were acting at that level. So I knew I was pretty good, but I didn't know how good. And when I was practicing law, it was a small-time practice. So there were a number of things that happened through Marion that broadened my horizons, which were a condition precedent to our doing anything. So we never thought of it in those early stages.

So one was a former boyfriend named Haim Shwisha, who was an Israeli inventor, and he invented one of the earliest versions of something called a "teaching machine." And the partner, in fact, at Dominick who had hired Marion was on the board of a company called Grolier, which is a company that put out these books like the encyclopedia, or *The Book of Knowledge*, or things of that type. And they were interested in the teaching machine, and so they entered into a contract with Haim Shwisha to do teaching machines, and they were going to tie it in with Grolier.

Now, Haim, unfortunately, is a very charming, extremely volatile individual, who would continually get into disputes with them, and I would get calls at all hours from either Haim, who would scream and yell at how terrible the people from Grolier were, or from Grolier, saying they really can't put up with this guy anymore. And I would save the situation time and again by understanding how to engineer agreement, how to get past the disputes. And it became apparent to me that I had a talent at something that I had never thought of before. And it turns out to have been a talent not as a lawyer, but as somebody who can move things forward, eliminate problems, and make things work.

In addition, Marion had made an investment with a couple of people she knew, who were two lawyers, to invest and build manufactured housing in a town about forty-five minutes outside New York called Washington, New Jersey. And at the time we met, that investment was in trouble. I don't think that had been well thought out, or the people with whom she was partnering, who were responsible for handling it, were not doing a particularly good job. And I saved that situation, and wound the project down without loss, which meant negotiating with tenants every weekend, virtually. We would drive out to Washington, New Jersey, and I would be in negotiations with brokers and tenants, and getting things paid. So that was another thing I didn't know I was good at, because I had no prior experience.

And then thirdly, Marion had a small trust from her father, which was mostly in properties that he had left her, and one was something called the Normandie Hotel in Old Orchard Beach. And they were having problems, and they were not paying. And I got involved in that, and I saved what was an extremely time-consuming problem, and resolved it, and got her money out of it, and so forth. All of these involved different kinds of abilities which I had no idea I

had any talent for, because I had never been asked to do any things like that before.

Another thing: one of her friends was a fellow named Dick Lukins, whose father owned a large security company. And there, I came in and did some legal work, and it was clear they were very naïve, and I turned out to be very helpful to them. It was a company of some size. And then Lukins, as a hobby—he was a show business nut—he was managing a group of singers. And I got involved in that, and that was fun.

03-00:43:57
Meeker: Who were the singers?

03-00:43:58
Sandler: The Grandison Singers. What do you call the singers—"The Saints Come Marching In?" What's that called? What kind of singing? Oh, religious. It's for religious singing. Just, the word is escaping me now. And they were playing at all the hotspots in the Greenwich Village, and—

03-00:44:15
Meeker: Oh—gospel singing, or—?

03-00:44:17
Sandler: Yeah, gospel. Thank you. And so I would go down to The Bitter End or all of these nightclubs in the Village at night to watch them sing, but also handle the record contract with RCA Victor. Another thing I had known nothing about. But it became clear I did have certain talents.

And there was one last thing that was critical. So Marion, at this point, was at Oppenheimer—I'm jumping ahead a few years. So this would be '62. And she went on a field trip to California for Oppenheimer, and I accompanied her, because it was cost free to me, essentially, except for the plane fare. She had to have a hotel room. So I stayed at the Fairmont for the first time in my life, and it was just unbelievable! It was an unbelievable experience for this poor kid from the Lower East Side. And then also, the second part of it was in Los Angeles, in which she was staying at the Beverly Hills Hotel, and that's a great story, which I will tell you in a minute.

But the folks from Oppenheimer, with whom I had become quite friendly—Leon Levy and Jack Nash, the key partners—asked me if I would—since I had no obligations there, would I mind interviewing the managements of several small companies that they were interested in determining whether they wanted to purchase them? So I must have met with four, five, six of these people, and sent them memoranda of what I felt, and what I learned. And they got very excited by the memoranda, and, as a matter of fact, put me on retainer to them to advise them on their savings and loan activities. But that was a big vote of confidence, because they were big time. They were running

a fairly significant investment banking company. I didn't know what a red herring was two years before, and—

03-00:46:31
Meeker: Was all of this business S&L related? Was Marion's trip out here related to S&L, and then—

03-00:46:37
Sandler: Yeah. She was there to see the public companies that she followed, because it's important for analysts to stay in touch with management. So when we were at home in New York, when we'd get home from the office at six o'clock, we wouldn't sit down to eat. The process was, I would set the table and get things organized, she'd be on the phone with California. Because the best time to call California is at six, seven in the evening. That's three to four o'clock out here in California. And then she would cook, and so forth, and then we'd talk about everything. And that proved to be helpful for what happened later, because we'd talk about it all the time.

But we didn't know. Her brother Barney always said, "Stop talking about the savings and loans, unless you are going to do something. Put your money where your mouth is."

03-00:47:29
Meeker: You were already both, I guess, developing your critique of the way in which they were run?

03-00:47:32
Sandler: Right. Well, Marion was an expert. She was kind of telling me about it.

There is one further thing that was important: I had become very friendly with Leon Levy, who was a financial genius. He didn't look at things in quarters or years—he looked at them in decades and generations. And he and I walked to work every day for about eleven months in a row, and he would lecture me all the way down. So I lived at thirty-nine Fifth Avenue; he lived at two Fifth Avenue. I'd pick him up, and we would continue to walk. Had breakfast at the same restaurant every single day, had exactly the same breakfast; neither of us changed anything for eleven months. But he talked all the way down, and I would ask an occasional question. That was one of the greatest educations anybody could have, because I'm walking downtown with a genius, and who is just thinking as he walked, and ruminating, and I was able to eavesdrop and listen, and ask questions. And that was an incredible experience.

We did talk about Gene Fenton earlier, the person from Oppenheimer who was assigned to go manage the companies that the Oppenheimer partners had purchased on their own account.

03-00:48:56
Meeker: On the West Coast?

03-00:48:56
Sandler: On the West Coast. And he had recommended Marion as his replacement at Oppenheimer, and I explained Marion had difficulty in accepting an offer, which was great, but she ultimately did. I'm trying to remember what I was going to tell you next.

Well, what happened was Gene was brilliant at analyzing numbers, but a lousy manager. And they found that out pretty quickly. And so Leon and Jack asked me if I would go out and be number two in managing their investments in California. And they offered a salary, which was a fair salary, and 5 percent stock options. And Marion and I discussed that at great length, and we decided that if the family was going to make the move, we're going to change our lives—where all our friends were, and where our families was—I should get 10 percent. And so I told that to Leon, and Leon and Jack decided that they didn't want to give more than five. And so we agreed to disagree. We remained very close friends, but we didn't accept the offer.

But that really started us talking, and that was a precipitating cause, together with Barney's needling about coming out here.

03-00:50:29
Meeker: So you were making your way into Oppenheimer at this point in time?

03-00:50:34
Sandler: I wasn't in Oppenheimer—I was Leon and Jack's attorney, on retainer. They didn't pay me very much, but I was in seventh heaven because they were talking to me about these things, and I was talking to Marion about it. We were consumed by it, and that's why Barney said what he said. You know: "You are talking so much about it. Do something."

03-00:50:54
Meeker: Well, what were you saying? What were you learning at this point in time?

03-00:50:56
Sandler: I think the most important thing, in a sense, for me, who didn't have the confidence and courage that Marion had, is Marion's point of view was the following. She had started as an analyst analyzing what were called "mature industries": papers; containers; non-ferrous metals. Experienced management; knowledgeable management; sophisticated management. And here are these savings and loans, newly public; one had gone public in 1955, and the others in 1959. That's when it really started. Incredibly naïve about financial markets. Shallow. Very unimpressive, to her. And she said, "This has got to be a great industry if people like that can be successful—and not just plain successful, but astonishingly successful. We could do it, too."

So it took all of the other experience as I described, plus Marion's confidence, to make that possible.

03-00:52:19
Meeker: At the time, the industry was described as relatively simple, and actually, if you kind of look at it conceptually, it should remain that way over the years, although with the rise of adjustable-rate mortgages and deregulation, it became much more complex. But at the time, the idea is you—well, why don't you define what the simplicity of the savings and loan industry at this time?

03-00:52:42
Sandler: Well, first of all, it was very, very heavily regulated. For example, at the time we were talking about now, 1962, my recollection—subject to error, but not significant error—you could only make loans within fifty miles of your home office. The bulk of the loans that were made were single-family residences, with a few two-to-four families, and a few multiples. There was no commercial lending, by the charter. Something called "Reg Q" existed, which is the government told you how much you could pay on deposits if you were an insured depository. Well, my goodness. Oh! I think you were also limited to either 75 percent of the loan to value, and it became eighty at some point; I don't remember when that was.

03-00:53:42
Meeker: So they required a 20 to 25 percent down payment?

03-00:53:44
Sandler: Yeah, yeah. The joke used to be, what do you do? You are there from nine to three, and out on the links after that—or something. I can't remember the joke, but it was a joke about how simple the business was. And it was simple. And they were making unbelievable amounts of money.

03-00:54:06
Meeker: Was there a limitation on how much you could charge for loans, whether it was points or—

03-00:54:10
Sandler: —I don't think so, but that was decided by the competitive nature of it.

03-00:54:16
Meeker: That was the one place where the free market played a role?

03-00:54:20
Sandler: The mortgage brokers were a non-force. I can't even remember whether they existed then. Most of the banks did not make real estate loans.

[laughs] There is a funny article we found in the mid-sixties or later. There was a fellow, Ken Childs, who was the president of Home Savings, which was the largest thrift. Marion and I were reading this article as we giggled. And they asked him, "What's the biggest problem facing you?" And he says, "Well, there is no more buildable land in California." This is 1961. And of course, you know what's happened since then. So that forecast was a little bit off.

That was the only thing he saw on the horizon: that there wasn't enough buildable land.

03-00:55:12
Meeker: You know, I'm curious. When you start to have these conversations, and Barney is kind of haranguing you to do something about it or stop talking, what was Marion saying? What point was she making? Where did she see—

03-00:55:27
Sandler: Oh, she was positive all the time. Marion was incredibly optimistic, and problems for her were issues to be resolved and solved.

03-00:55:39
Meeker: Well, what kind of problems did she identify that she thought that she could have an impact on in relation to this S&L industry?

03-00:55:45
Sandler: Well, first of all, she developed a five-year plan, with my assistance, of course, because my assistance was based largely on what I had learned from her! Plus the workings of my mind. But we had a five-year strategic plan of what we would do if we could acquire a company, and the question is, what size institution could we afford to buy? And then there was a plan. And the plan involved how we would grow the company, how we would professionalize the company, and matters of that type. But the key factors at that time were the quality of assets, the quality of liabilities, the ability to be able to collect assets, and to collect—I should say, "Collect liabilities" first, because those are the deposits, and then put them out in assets, capital and such—

03-00:56:39
Meeker: "Assets" being the loans, correct?

03-00:56:40
Sandler: Right. So that's why liabilities come first: you can't make loans until you have got the savings, deposits, or borrowings to put out the loans. So in other word, she had thought through how it was operated, where improvement was possible, and we had such a plan. I have lots of fun stories about that plan, actually, as we move on.

03-00:57:03
Meeker: Well, why don't we walk through that plan a bit? Because I do want to get to a more in-depth conversation of this. And this plan was coming together, correct, when you were still in New York, right?

03-00:57:18
Sandler: Yes. Well, we had a five-year plan before we got to California. Actually, I have one of our talks here, which I think alludes to it. If I can find it, I can quote it to you. I have actually here the statement of condition of Golden West Savings in 1963. I just found that. I didn't realize. Here. [holding a copy of the article] So this is an article in 1973 in *Businessweek*, in which it's an interview of—I guess, well, it's Marion and me. "The Sandlers, husband and wife. 'We

don't run a relaxed operation.' How they mined Golden West for S&L gold." And then they have a box called "Marion's Measure," and it involves high-grade assets—"What is the quality of the loan portfolio? What are the bad loans?" What used to be called "scheduled items," troubled loans. "High-grade liabilities." How stable are the savings deposits? "Quality of their branch offices." We had big plans on growth of branches. "How sophisticated is management?" We thought we could bring a lot to that. "The quality of earnings." Are they growing rapidly? Are they high quality? Or are they non-recurring? And "marketability of the stock." Those are the things that we discussed in our five-year plan.

I do have an amazing story later about the five-year plan, but probably more appropriate to discuss it when I discuss our first application for a branch.

03-00:59:14

Meeker: Okay. Well, walk me through the process by which you both decide that the opportunities were there that really did, in fact, translate into a move out to the West Coast. Which I assume would have meant her leaving Oppenheimer at the time, right?

03-00:59:34

Sandler: So what happened was we thought we would try to buy a small company—eight, ten, or $15 million in assets. That would be purchased initially by those who wanted to participate from the Osher family. Barney was, by far, the wealthiest of the family. Of course, I had no money at all. And they had a family corporation in which everybody except Bill had a piece of that. So there was enough money to buy a small shop.

And so we did a lot of research, because at that time, the data—the financial data—of private institutions, as well as public, were maintained at the Department of Savings and Loan, and they were open to the public. We isolated a number of companies. I'm going to tell you about a conference—the California savings and loan conference—in, I think, September of '61. It might be September of '62, but I'm pretty sure it's September of '61. And we were going to visit with some managements to discuss their interest in selling.

And so there were two incidents I can describe, one of which involved me, and one of which involved Marion and me. So one of then, there was a company called Santa Cruz Savings, and their managing officer Sid Carter was there, and we wrote ahead of time, to him and others, and we got X responses. If two people were available at the same time, Marion would meet with that person ad I would meet with the other.

So Marion and I decided I would see Sid Carter, and I have never forgotten this. Met him in the lobby, and he said, "Let's go up to my room, where it's quiet." And we went up to his room. And the hotel was the Biltmore Hotel, downtown, which was the conference hotel. It was ten o'clock in the morning,

and he said, "I'm going to have a drink. Would you like to have a drink?" Now, I am a buyer, and he is a seller, so if he says he is going to have a drink, I'm going to say I'm going to have one also—I said, "Sure." And he says, "What do you like?" And I said, "Well, what are you having?" He says, "Bourbon." I said, "Well, I drink Scotch." So he says, "Well, I'm going to order two doubles so we won't have to bother anybody again, so we can talk without interruption." It's ten o'clock in the morning, and he is having two double bourbons. And I am like in a movie: I have got the Scotch on a little side table, and every time he turns around, I spilled part of the Scotch into the plant. This is a true story. I am not exaggerating. And what I'm saying to myself throughout here is, is this the world I'm getting into? What is this world like? This is insane!

So that was the most outstanding of those visits. Then, when we were in San Francisco at the Fairmont, we managed—I can't remember whether I have told you this—I managed to reach somebody who was the principal owner of another small company called Dollar Savings. His name was Lou Rosenau, and I reached him in the late afternoon at his home—that was the only number I had. I guess he must have told me I could call him. And I called him and he says—there's a little back and forth, and he says, "Well, I'll tell you what—why don't you guys come on over, and we'll have a drink?"

And we go to his home, which is on Telegraph Hill—first time I had ever been on Telegraph Hill—and in his home, I remember there was white wall-to-wall carpet, with this spectacular view. And here is this very handsome guy, and his wife, and we start chatting. And every time we try to discuss Dollar Savings, he changes the subject. But it's a very pleasant meeting. And I guess we must have passed a test, because what he said to us is, "Well, it's getting a little late. Why don't we go have dinner?" He says, "There is a little joint down the street—Emilio's. I don't know if you remember this. It's been probably gone a long time ago, but it was one of the top restaurants in San Francisco, I found out. I had never heard of it in my life before that.

And so he takes us to Emilio's, where everybody knows him, and we have this spectacular dinner, very pleasant conversation; at no point can we get a word in about Dollar Savings. He keeps changing the subject. So when that's over, he says, "Well, you know, the night is young. You don't have to go anyplace, do you?" We were staying at the Fairmont, and he is a potential seller; I figure he's going to talk sometime about it. And apparently, we passed another test—he must have liked us. So he took us to Earthquake McGoon's. Have you heard of Earthquake McGoon?

03-01:05:14

Meeker: It was Turk Murphy's—

03-01:05:15
Sandler: Turk Murphy. Everybody in that band was famous. And I was a fan of Turk Murphy's. Holy cow! I'm sitting ten feet away, five feet away, from Turk Murphy! Who is a bigger than life character. And that's another spectacular moment. And at this point, it's got to be twelve o'clock or whatever it was. And he says, "No, the night's still young! Let's go someplace else." And he took us to Station J, which was a disc jockey place. And they were there for an hour to an hour and a half. It's got to be 1:30 or 2:00 by the time he lets us go home. Never let us get a word in edgewise about Dollar Savings. But one of the more interesting nights of our lives, starting off with cocktails, and I guess we kept—they wanted company, and we were acceptable.

03-01:06:08
Meeker: When you were reaching out to these various S&Ls, was there an understanding that they were perhaps looking for buyers, or—

03-01:06:18
Sandler: When I called, I said, "I'm interested in buying your company. Would you meet with me?" I'm very open, and very straight.

Let me continue the stories, because I should finish this story. The ones Marion saw we had further contact with, but none of them were as interesting as those two I just mentioned. But it became clear to us that we could not acquire a company. It would be very difficult to acquire a company long distance. We had to make a move out West.

And in that connection, Oppenheimer was wonderful. What they did is they arranged for Marion to stay on the Oppenheimer payroll, to continue to work for Oppenheimer, but from California. Now, actually, it made a lot of sense for them, because they had a terrific trust in Marion by this stage. They knew her reputation before, but now they had been working with her, and she did the largest private placement they ever had in the company's history, with a company called Lytton Financial, which is another set of stories. So she was a big producer and a big star. But having said that, it was still incredibly generous of them.

So we went out, and Marion continued on the payroll and she did continue to work for Oppenheimer, and I did most of the work looking for a company to buy. She would do some of the research with me, but I would go off to some of the meetings myself, unless she had the time to join me, because she was putting in a full day's work for Oppenheimer.

So we had a couple of interesting experiences there. And some of these were kind of shocks to us. So we found a company that was much larger than we had been contemplating, which would require a bank loan. I should say that we tried to meet with the Golden West people, but they had decided not to go to that conference. So we did see them later, and I'll discuss that in a few minutes. But we met with somebody who owned a company called Peninsula

Savings in San Mateo. It had about $45 million in assets, which is much larger than we thought we could handle financially. But then we figured out what it would cost. Obviously we would need a bank loan, but we could afford it if the company was earning money, and so forth.

And the owner's name was Emil Yulich. Appeared to be kind of a country bumpkin from Minnesota. Very sweet, naïve-appearing guy. And he had all kinds of questions. Were we representing anybody else, or were we buying for ourselves? We explained that this was our family. We told the truth: it was me, Marion, and Marion's family were going to be the investors. Because he said he didn't want to sell to a holding company, because he didn't trust holding companies. Who knows who they really are? And we had several meetings, and we liked—he was really incredibly sweet and gentle. A country fellow. And finally, we arrive at a price, and we have a contract prepared, which he looks, reads, reviews; makes some changes, including statements that we are not representing anybody else, we are representing only ourselves. And we gave him a $50,000 certified check, and we signed it. And he said he was taking it home for his wife to sign, and they'd send us back one of the signed copies, and we then proceed.

It so happened my brother was visiting during that period, and every day, we rushed down to the mail to look for the contract, and it doesn't appear. Days pass, days pass. After a few days pass, I call him; he's not available. Doesn't respond to anything. I never can get him in the office. He is never there. He never returns the call. At this point, we start getting nervous: is he stealing our money, or what's going on here? In any event, it's about a week and a half later, we get a letter with our check enclosed in the mail, and it said he has been thinking it over and he's been thinking it over, and he thinks we are two wonderfully nice, young people who he thinks have great careers ahead of us, but he thinks his company is a little too big for us to handle, and he doesn't want to put us in a situation in which we are going to be at risk.

P.S.: we find out later he was negotiating with three or four different groups, and he ultimately sold to a holding company, because they offered more [laughs] than anybody else! So we were totally conned by this guy. Butter could not melt in his mouth. So we are the two New York sharpies, and we are so naïve, because we really bought what he was saying, and it was total baloney. It was a total con job. He was just holding us in play, playing us to get the price up, which he ultimately did, from one of the group, whoever was bidding. I even remember who he sold it to: he sold it to the Oschin brothers, O-S-C-H-I-N, who had a holding company. It went out of business, ultimately.

So that was one funny story. And another one—and which was even more amazing, in a way—was with a company called Napa Savings. And the manager of that was a fellow named Herbert Mount, who was really not the sharpest tack. Another person with limited experience; very country bumpkin type. His grandfather had started it, and at this point, I think he had owned

something like 10 percent of the company. They had a very large stockholder who had effective control. Anyway, during the conversation with him, he says certain things, which I will describe in a moment, and then we leave. And then as soon as we get in the car—we get out, we are walking out of the building quietly, Marion and I turn to each other in the car—and at the same instant in time, and we say, "Did he just ask us for a bribe?" That's what had happened. He wanted a bribe because he owned 10 percent. Somebody owned fifty or more percent. He would make all the profit on the sale. At 10 percent, he felt he'd be out of a job for nothing, and he wanted a payoff under the table. This country bumpkin!

03-01:13:09
Meeker: How was that described? Like how was that communicated to you?

03-01:13:11
Sandler: We can't remember. All I remember is we got into the car, we turned to one another, and said, "Did he just ask us for a bribe?" Since we both asked the question, obviously, that's what happened. You know, that killed that. We wouldn't do anything like that. But again, with the feeling—so we are the two people from New York, and so far, we are dealing with Yulich and Mount, and who's who? All the roles are reversed. Those are some of the astonishing things. Whereas with the Jacobys, it was nothing like that.

03-01:13:47
Meeker: At Golden West?

03-01:13:48
Sandler: At Golden West.

03-01:13:49
Meeker: You know, I think I also read somewhere—maybe this was something that Marion reported about, but she was traveling around the state, and the kinds of people she was engaging with, and the branches—maybe Eureka Savings had a waterfall built inside of it or something?

03-01:14:09
Sandler: Oh, yes. We saw some amazing things.

03-01:14:12
Meeker: That were just clearly wastes of money? What was the other state of the industry at the time? Other examples of the state of the industry at the time?

03-01:14:25
Sandler: Well, there was worse than a waterfall. I think he had some kind of indoor court in his premises. But he was a nutcase. I think the guy's name was Ken Kidwell, if I'm not mistaken. It wasn't so much being over the top in the buildings—it was how little thought they gave to running the business.

In that connection, I'll tell you two stories. So there came a time when we were making a lot of acquisitions in later years, and there was a company

called Santa Barbara Savings that was going to put up for sale certain branches. And we would acquire branches as individual branches in areas we interested in, where the location was pretty good. And so Marion and I always went to look at the property. That was something we never delegated. We always looked ourselves. And I looked at the branch, and I said, "What size is this branch?" Because it looked like it was 2,000 to 2,500 square feet. And we looked at the list where they have all the details, and it indicated the office size was 4,500 to 5,000 square feet. And I said, "That's wrong! I can tell! I know—I've seen enough branches."

Well, it was in fact 4,500 to 5,000, but they designed it in such a way as they wasted the space in hallways and other non-usable space. So it had the function of a 2,000-foot branch. How can you do that? How can you eliminate over 50 percent of the value of what you are doing? That requires either stupidity, naiveté, in that you turn it over to the architect and you don't give him any feedback at all. That's what we saw a lot of, that kind of thing. Just pure amateur hour.

I had another one that I wanted to tell you about, which I'm losing now. But I'll tell you another story that occurred to me. So here is another area. So I can't remember the year anymore, but we acquired— it's during the savings and loan crisis, and we are in good, strong shape while people are falling to the right of us and to the left of us. You know, over 2,500 institutions were shut down out of 4,500—maybe 3,000 out of 4,500. And so we acquire a company in Florida, and our chief operating officer, Jim Judd, visited them. And they must have had twelve or thirteen people working in this big office. But you come in there, and for a good part of the day there were few to no customers in the office—and you may have heard this expression before—you could throw a dead cat in there without fear of hitting anyone.

The reason is, particularly in a retirement area, such as Florida, customers only come in during certain times of the day, and the rest of the day, you will not have a person in there. So they had twelve full-time help, paying for twelve full-time help, when you could have served that branch with the equivalent of maybe four or four-and-a-half people. So what you would do is switch to permanent part-timers, who wanted to work for part of a day, and you'd schedule around a combination of their needs and when the people come to the office. That's not brain surgery. That's A-B-C stuff.

Another example is banks. Banks built their branches in those days 15,000 to 20,000 square feet. We built ours. We analyzed how many customers could be handled comfortably in a 3,000- or 3,500-square-foot branch? And then we would build a branch—that takes you, actually, to a couple of hundred million deposits. But when we got a freestanding building, we always built it so we could expand the building. So we had all the stuff in place; all we had to do was just extend it. Now, multiply a 20,000-foot branch times 100. And then multiple a 3,000 branch times 100. Think of the difference in cost,

depreciation, maintenance, everything. Nobody's thinking. Nobody's thinking. It's almost too simple. I'm embarrassed to tell you about that. But that was the situation. I can multiply that with 100 other stories.

03-01:19:30
Meeker: Another reason, I understand, that you decided to move west was Marion's health.

03-01:19:35
Sandler: Right.

03-01:19:37
Meeker: Was this on advice of a physician? How did that come about?

03-01:19:40
Sandler: Well, it's well known that certain climates are better. I mean, the best climate theoretically for asthma would be Tucson or Phoenix, which accounts for a lot of the growth in those areas. But we felt it would be fine in the bay area where we wanted to be. We did a moderate amount of due diligence. And in fact, for X years, she was better here. And then it started to get bad again. But that was a consideration.

The other consideration was when I was in service, as you know, I was out here, and I had fallen in love with the area. I wanted to stay but didn't have the courage, and then always wanted to go back. And she wanted to buy a company, and we chose northern California as our first choice, although we would have gone elsewhere if we couldn't find anything here. So we were very lucky to find something just in the area in which we wanted to live, both for health and for quality of lifestyle. And never regretted that move.

03-01:21:01
Meeker: So the transition was fairly easy, it sounds like.

03-01:21:04
Sandler: Oh, we were in seventh heaven. We lived at Euclid Avenue originally.

03-01:21:13
Meeker: Oh, okay. In Berkeley?

03-01:21:14
Sandler: Yeah. Between Keith and Cragmont. Have I told you about that before?

03-01:21:18
Meeker: No.

03-01:21:19
Sandler: On a field trip that Marion was out on, she rented a house from a woman named Fari, who was the wife of a professor at Berkeley—I think I. I. Fari, or something like that. And it had a wonderful view; a very simple house. We had a little excitement with that as well, because after we were there for—first

of all, she had told us she would leave some beds there, because our furniture wouldn't arrive until several days after we moved out. And Mrs. Fari left nothing for us. The place was bare. So we had to stay in a motel, and then we moved in for a few days with our friends, the Tomaschkes, until our furniture arrived.

And then sometime after, we are contacted by Professor Fari, and it turns out that his wife had been institutionalized at Napa State Hospital with mental problems. But she had signed the lease. And he wanted us out. Fortunately, we had a written lease, which was executed by each of us, and so we stayed until we bought Golden West, and it covered that period. But that was kind of a frightening experience.

But we loved it. We were very close to the rose garden, where we spent a lot of time when we weren't working, and close to Tilden Park. Both had tennis courts. Actually, in those days—this is before your time, Martin—in the Tilden Park, the tennis court was next to a trout pond, and Marion hit more balls in that trout pond than you can imagine. Because we would come to play in the late afternoon after the pond was closed, and she would hit these balls over, and I couldn't get over the fence at that time. But we loved it, and we thought we were in paradise, and we explored San Francisco, explored Berkeley, made friends. It was very special.

03-01:23:42
Meeker: Tell me about the process of acquiring Golden West.

03-01:23:49
Sandler: Well, as I told you, the owner, or the principal owner, was O. D. Jacoby, who was an eighty-year-old gentleman, who had started the company in 1929, two years after he had been given six months to live. He had been a vice president at the American Trust Company, which was a bank; was given six months to live, retired from the bank to put his affairs in order, and two years later, he was still living and in good health. So he started Golden West Savings in the year of the Depression. And it was thirty-four, thirty-five, $38 million in the period we approached him.

He was not at that conference that I alluded to before, so I followed up. And we had a meeting with him, and he was a very pleasant gentleman of eighty. At that point, I thought it was ancient, and I now have passed that year myself, and some people must think I'm pretty ancient. And he asked us the same question that Mr. Yulich had asked: are we representing ourselves, or a holding company? I told him it was just for our family. And that was very important to him. He was a devout Methodist. On the company's employment application—which was a printed form application—he added, "Do you smoke, or do you drink?" Because he would not do either. Fortunately, Barney was never with us during the early meetings, and that was important, because what he saw walk in were two clean-cut kids. And Barney is clean cut,

but Barney in those days always had a cigar in his mouth. And had Barney been with us, he never would have sold the company to us.

So he said no, that he wasn't interested, and he wished us good luck. And then the following week—I had left my number with him—he calls and he said, "Next time you're in the area, why don't you drop in and we'll talk?" I said, "Oh, Mr. Jacoby, I'm going to be there in two days." I didn't want to say that same day, because I was ready to rush down immediately. I said two days from now, whatever it was—one or two days. And I actually remember where I parked the car. And I parked, Marion and I came in, and he says, "We've been thinking about it. How much would you be willing to pay?" And I told him what the range was, and what we would pay. And he thought that was a fair price. And entered into a contract. And unlike my other experiences, everything he said he would do he did, exactly as he said he would do it. We knew we would do whatever it was that we said we would do, but you never knew about the other party. And in this case, it was one of those lovely situations in which each side was 100 percent straight with the other.

03-01:27:15

Meeker: It's very clear from this document—the statement of condition from 1963—that it was largely a family-run organization, correct?

03-01:27:24

Sandler: Yeah. There's a wonderful line on this thing; I don't know if you saw it. So this is their statement of condition of June 30, 1963. I just love the first sentence—or the first part of the first sentence—"Organized in April 1929 by men with extensive banking and business experience, the Golden West Savings and Loan Association has continued under substantially the same management. The growth has been steady, and the emphasis has been on safe operation rather than rapid growth."

03-01:28:04

Meeker: Very sober, very secure—

03-01:28:06

Sandler: But, "by men." Not "by people," not "by individuals"—"by men." Fascinating. And so a series of incredible things followed that. I don't know what you want to cover today, or how much time we have.

03-01:28:24

Meeker: Well, you know walk me through it. I think we have got another half-hour or so. So why don't I let you take the lead in this, and I can follow up, and questions of areas that I think need further explanation, and we can tick off some of the things on my list here as well.

03-01:28:43

Sandler: Well, let's see. Since we are where we are, he was amazing, Mr. Jacoby. He had two sons in the business, Roger and Wilbur, and he had two other children, one of whom was the president of the University of the Pacific, which is a

Methodist university. One could ask the question, why would he want to sell the company rather than let his sons who worked there take over? One argument could be that it would be unfair to the other two, because although they would have a share of the company, they are not being paid since they didn't work there. And another answer could be he didn't think he could trust them to run it well without him. I don't know what the answer was in his mind.

But he did something remarkable. We entered into the contract in May, and then you go through the due diligence, the auditors come in and check the books, and the records, and stuff of that kind to make sure that what was represented was accurate. He let us, in essence, take over the company before we had paid for it. So he gave us an office, and it was very small. The whole thing was very small. It was on the corner of Seventeenth Street and Franklin, in Oakland. It had a full floor, it had a mezzanine, which was kind of a third of a floor, and then it had a basement with a few offices in it. The building, of course, was not air conditioned. The heating was impossibly bad. Very old building. At first, we started in an office upstairs, but very quickly, we were moved into the basement.

So let me describe the offices, first of all. I was in an office which is less than half the size of the office we're in now, with a column in the middle. And Marion was in an office in the basement which didn't have a column in the middle, but had a grate on the wall right behind where Marion sat. And behind that grate was the switching gear for the telephones. So any time anybody in that little office of twenty-five people made a call, [imitates staccato sound of mechanical switching] would go on in her office. And we were there for seven years. And we were permitted to take over the marketing. My god! We hadn't paid for the place yet!

I want to tell one anecdote, and then I'll get back to what I'll call the first reinvestment period. One day after we're there for a couple of weeks, Wilbur Jacoby comes into a tiny little office next to ours, closes the door behind him, and then comes out and hands us an envelope; hands me an envelope, and hands Marion an envelope. And in that envelope is money. They put us on the payroll. You know, first of all, somebody has just let me into a combination toy store and candy store, and I can play any game I want, and eat any candy I want, and somebody is going to give me money? We were incredulous. We went home and we were just looking at the money, and we couldn't comprehend it. Secondly, it was in cash. It wasn't a check. They were in the 1800s! I mean, it was a different world. I mean, people did checks at that time, but it was cash. And why he went into that closed office and closed the door was he was counting out the money for each employee in cash.

So what happened was that —it's interesting, because it'll tell you a lot about Marion——and I'm not sure of the dates, so I may not have the right date exactly, but it'll be approximately right—the reinvestment period was the period in which most people made their deposits and moved their money from

one place to another. So if you got your money in by July, the first ten days of any quarter, if you got your money in by July 10, you would get interest from the first of July. If you brought your money in on July 12, you wouldn't get interest until August 1. So that's the background.

The second part of the background is that the authorized rate on January 1—and the numbers are approximate, and the date is approximate—was 4.5 percent. And on January 1, they changed it to authorize 4.75 or 4.8. For whatever reason, Golden West did not raise its rates as its competitors did. It may have concerned them that it was more than they could afford to pay; it would be too much of a hit to earnings, because all the accounts were passbook, and it would change everything that you had in the house. And they lost a lot of deposits in that January reinvestment period. In April, they moved their rates up to equal the others. So in July, most companies announced that they were going to reduce their rate, from 4.75, 4.8 to 4.5 or 4.6—whatever it was—because obviously, they would earn more money if they were paying less in deposits, and maybe they felt they had enough deposit growth in the interim.

So Mr. Jacoby had decided himself—with our agreement—to keep the rate up, because he felt badly that he had just increased it, belatedly, the previous quarter, and he didn't want to take it down right away. He thought he would look foolish. We saw it as an opportunity. So what Marion did, without much time to plan, remember, we had just gone into contract a few weeks before that. I think she found an advertising agency; I'm not sure whether we did—if it was with the Meltzer agency, but it was essentially Marion who developed what our approach would be, how we would advertise, and what our media would be. You couldn't do TV, because we didn't have the money for TV, and we only had two offices, so we'd have an enormous amount of waste. So for us, billboards were very focused, and radio could be done very fast. And then she put signs on the windows of the savings and loan, which Mr. Jacoby abhorred, because nobody did that in those days. The only place you ever saw that was on a drugstore. But we had to use what we thought we could do best with a limited budget, and her message was simple: "Still 4.75," or "Still 4.8." That was it. So the radio ads spoke to that.

We did something that's unusual: you buy what's called a showing on billboards. It's like forty or fifty billboards. Unlike any other client, Marion and I visited every billboard. It turned out about ten or fifteen were totally worthless: they were behind a tree, or behind a building. So we said we won't pay for those—we'll only pay for the ones where we can see it. So we, of course, got the billboard showing costs way down, because when they have a showing, they put you on everything. And so we paid the appropriate price, not the phony price.

Customers were lined up around the block, with their passbooks from other companies. Their deposits balance on June 30 were about $32 million. I think

we took in $4 million in ten days. One of our tellers fainted, because it was nonstop all day.

03-01:37:36
Meeker: So an over 10 percent growth?

03-01:37:38
Sandler: Over 10 percent growth in ten days. It's almost as good as the ACLU is doing right now, post-Donald Trump.

03-01:37:47
Meeker: I'm curious. So this was the time when the Jacobys were still [owners]—

03-01:37:51
Sandler: Yes and they were letting us do everything. The only thing that upset Mr. Jacoby were the signs on the windows. But the morale of the company was off the page.

03-01:38:02
Meeker: Was the existing management structure paying for this marketing outlay at this point?

03-01:38:09
Sandler: Golden West Savings! It was as if we were running it! He didn't know us from a hole in the wall, other than that he had made a decision about what we were like. In other words, we were as honorable as he was.

03-01:38:22
Meeker: Well, how do you think you were able to do that? I mean, that's remarkable. You don't hear those kind of transition stories.

03-01:38:29
Sandler: I don't know. He was just a very unusual guy, and I think he had formed an opinion about us that he could trust us.

03-01:38:41
Meeker: I don't know if this was before or after the contract was signed, but you have talked in passing a few times about actually assembling the financing to pay for this.

03-01:38:52
Sandler: Oh, that's one of the great stories—the best story of all. I think I may have told you already, haven't I?

03-01:38:56
Meeker: Yeah. Well, you told me about how you couldn't go up and meet with the loan officer. But can you actually talk, in maybe some more detail, about assembling the funding? I know that some came from the Osher family. Didn't some also come from Oppenheimer?

03-01:39:13
Sandler: No. No, no. The only stockholders at the beginning were the Osher family, which included Bill, as I think I discussed that with you, where Bill had been left out, we—Marion and I—forced to come in on the same basis as everybody else. The stockholders were Marion and myself—I put up nothing because I had nothing, I had minus; they didn't take minuses. Barney put up money, the brothers put up the money—some of them of their money, some of them borrowed from the family corporation. And the rest of it was, as they would say, a huge bank loan.

03-01:39:55
Meeker: Did you and Marion combine your resources from the beginning? Was there a separation, or—

03-01:40:03
Sandler: There was a separation, but very short lived. I had X stock; it should show in here [looking at a Golden West document]. I was going to look at the IPO, at the final prospectus. But I never asked. It never meant anything. Because I saw us as a unit, and Marion saw us as a unit. And at some point a few years after the beginning, it was combined officially.

03-01:40:35
Meeker: And so the two of you, what percentage did you bring in? What percentage do you own of the Golden West at the beginning, roughly?

03-01:40:42
Sandler: Oh, god. Well, at the beginning, the family, together with one outside investor. The co-host of that cocktail party to which we were not invited, Sam Cohen, I think, was able to buy 1 percent. Oh, let's see. So, the original offering, after underwriting discounts and commissions, was going to net to the company $1,719,000, of which $1.4 million went to pay down the First Western loan, which got them off our back. I've got to find it. Oh, it should be right up here in front. Bear with me a moment, and I'll find—

03-01:41:45
Meeker: And First Western was the bank?

03-01:41:47
Sandler: Was the bank, yes.

[Reading from a document:] Herb and Marion as a unit owned nineteen—this is after the issuance—owned 19.7 percent. Marion in her own name owned 17.8. So that combines to 37.5. And Barney had 40.6. And the balance was owned by the other brothers, and by Sam Cohen, and then by the new stockholders.

03-01:42:43
Meeker: And that was upon the IPO, correct?

03-01:42:45
Sandler: Yeah. Let's see. Yeah, it is to reflect the issuance of the shares offered by here. So the Osher family must have owned approximately 90 percent, or something like that. The Osher-Sandler family.

03-01:43:12
Meeker: Well, then, tell me about the transition after the sale closes and the Jacobys leave. How did you manage that process?

03-01:43:25
Sandler: Well, Roger became president, I think I was an executive vice president, and Marion was the financial vice president. But Roger, to be totally open, was a mediocre, average guy who I think his father, probably appropriately, saw him as somebody who didn't have a lot on the ball. A very nice fellow; I liked him a lot. And actually, I can tell you something in connection with him. The other brother, it was clear we just were too much for them, and he went to another company on his own.

Roger had a son working at the company during a summer, I think of '63, who was a college kid. And what we saw we didn't like, in the sense that there was a certain feeling of entitlement, and the certain way he treated employees, especially female employees. And it really offended Marion and myself—and it wasn't in relationship to Roger, who was a very nice person. But that made us come to a conclusion, which did affect our children, in that we felt from the beginning that we did not want our children to come into the business. We thought there was too much potential for problems arising from nepotism to the employees, and to spoiling our children. It's very hard to pull off. It turned out that Susan and Jim turned out to be fantastic people, and it may have been a bad call basing it on the experience with the other youngster, but that was the decision that was made, rightly or wrongly. I think they are both happy being in the not-for-profit world, and I think they feel their contribution to society is more than it would have been otherwise.

There is one more experience, if you have time, which is an unusual story. So we now own the company as of about August 1, officially. And one of our objectives in our five-year plan is an aggressive growth of our branch system. It's clear that we should have a branch in San Francisco, since we were northern California based, because the *Chronicle* was the major newspaper which covers the entire area, and it's hard to cover it unless you have advertising in the *Chronicle*. But with an office in Oakland and the Castro Valley, you can't justify advertising in the *Chronicle*—it's far too expensive, too much waste.

And we were hoping and planning at some point to file an application for a branch. You had to file a branch application in those days, and there was a hearing held, and people could protest the application. And it turned out that a company named Fidelity Savings filed for a branch. And the rules at that time were that if they were to receive approval for their branch, nobody else could

file in San Francisco for a year. By way of background, no branch had been approved for a savings and loan branch office in San Francisco in over four years. It was as if there were a moat around San Francisco, and the regulators were not going to let anybody in. And if anybody filed, everybody in town would protest.

03-01:47:20
Meeker: Who dominated in the city at the time?

03-01:47:23
Sandler: I don't remember, but I believe it was American Savings. I can't remember. Home [Savings] and Great Western weren't there at the time. There was a bunch of them. I don't remember the names anymore. But they protested everything.

So we had a decision. We had only been running Golden West for a couple of months! We had just gotten there! But we had read very carefully something that was written by the new savings and loan commissioner. Before we took over the company, the prior savings and loan commissioner—a fellow named Preston Martin, I believe it was; it may not have been Preston Martin; I am not sure—had hired an economist from Berkeley, Fred Balderston, from the UC Berkeley business school, to review how they granted branches, and to come up with a thoughtful, organized, intelligent way of evaluating who could get branches. And he issued a report, which was published. And Marion and I read that report intensively, and came to the conclusion that we actually—even though we had been there only for a couple months, but pretending the company itself was one company—terrifically satisfied those conditions. Because it dealt with the quality of the loans. Golden West's savings and loan portfolio was pristine, and all the kinds of ratios that he established Golden West excelled in.

So we filed our branch application, as did two others. One was Lytton Savings, the owner of whom Marion was very close to, and for whom Marion had done this enormous private placement for, and a new charter applicant. The rumors had been that decisions were frequently made based on politics. Marion did the economic analysis justifying why a branch should be approved. Fidelity obviously had somebody do theirs. Fidelity was represented by somebody by the name of Phil Angell, who was from an old family in San Francisco, whom we had met, and had intended to retain as our attorney as well, and had shared with him our five-year plan. Remember that; put it to the side. Lytton was represented by his house counsel, Thomas Clarke, and his co-counsel was Harold Brown, the governor's brother. Message, message, message. And Lytton was a big deal in Democratic politics. And the other institution, the one applying for a new charter, the head of that was a fellow named Roger Kent, who was Democratic state treasurer. Reeked of politics.

The hearing room, which holds forty to fifty people or more, was filled with media, and protestants. It was like a mob scene. Vicious questioning going on.

03-01:50:54
Meeker: All of these new applications were being viewed at the same commission meeting?

03-01:50:56
Sandler: At the same time. They were all competitive, and only one is going to be granted. Marion treated it like a final exam in doing the application: what did the professor teach you? Balderston had become the new commissioner. So obviously, he was going to follow his own recommendations. We wrote to the exam. These are the ratios that they think are important? That's all we are going to discuss. We are going to discuss that. The others did the usual claptrap. But we were not political. I actually found the letter of Marion's in which she's writing to a friend about the hearing, and saying that it might be political, in which case we wouldn't get it, because we don't do things that way. But if it's done on the merits, we should get it. This was right after the hearing.

And there were a couple of amusing things. Marion was cross-examined savagely. Each economist was cross-examined savagely by people who wanted to block anybody from getting in. And during one of the breaks, you know, lawyers tend to talk to one another, and we were all talking, jocular, teasing one another, and Marion could not comprehend how I could talk to them after she was treated that way. [laughs] That was one funny piece of it.

The other one: it turned out on the cross-examination of Jay Meyer, the head of Fidelity, that Phil Angell had shared with him the five-year strategic plan we had shown him. Which is a gross ethical violation, to which there might even be criminal sanctions; I don't know. And Lytton—who was an incredibly clever, brilliant, strange guy—without a second's hesitation—when that came out, there was a gasp in the room when Meyer said that Angell had shared something from one client with another client without permission. Lytton said he always wondered how many clients could dance on the head of an Angell. I mean, for somebody coming up with something fast! The original line is how many angels could dance on the head of a pin; this is how many clients can dance on the head of an angel. I mean, [snaps fingers] there was uproar in the room. It was one of the best quips I've ever heard. But that caught the essence of it.

In any event, a few months later, we were notified that we got the branch.

03-01:53:52
Meeker: To the exclusion of the other two applicants as well?

03-01:53:54

Sandler: The other three. The other three. Actually, many years later, we became quite close friends with Fred Balderston, whom we did not know, had never met before. And he told us something: that a condition of his taking the job when Governor Brown offered it to him, he said, "I don't do politics, so if there is going to be anything political, don't ask me to take the job. I won't do it." And the governor guaranteed him that he would have no political interference, and he never did interfere. Rumors were quite widespread that he had occasionally intervened. Remember, this is his brother representing one of the applicants. But for the fact that Balderston had extracted that promise, we might never have gotten that branch grant.

Kind of amazing story, in retrospect. They described us at the hearing as a bunch of New York carpetbaggers who were here to make a big score and go back to New York.

03-01:55:03

Meeker: Did it ever seem like there was any tinge of antisemitism to that?

03-01:55:08

Sandler: You know, it should have become clear to you if it hasn't already that we were pretty damn naïve. We don't think of those things, unless it really hits us in the face. I didn't sense that. This is a tough game, and it's very competitive. They had no evidence, no reason to believe that. Of course, as evidenced by our lives, they couldn't have been further from the truth. I suspect I'm here longer than any of them, either by longevity or whatever.

03-01:55:47

Meeker: I wonder if in some ways, that reputation actually helped maybe sort of clear the path in some ways.

03-01:55:53

Sandler: Well, it did. There were stories all over the place about the San Francisco courts, about our victory in particular. I guess Marion and I both got interviewed by the *Chronicle*, by the *Examiner*, and by the radio stations. Because it was the first branch approved in San Francisco in five years.

03-01:56:13

Meeker: How did that new branch impact the fate of Golden West, in the short and long run?

03-01:56:22

Sandler: In the short run, we did very well. We opened a temporary office. We did very, very well—

03-01:56:28

Meeker: Where did you open the office?

03-01:56:30
Sandler: It was just off the corner of Market and First, and we had leased—but it took time to construct—we had the corner of a building, which is now demolished. We had the corner of First and Market, which is one of the most important corners in downtown San Francisco. So for example, where, in a retirement community, you would get nobody in at lunchtime because they are all busy eating lunch, for us at lunchtime, everybody conducted their business. So that place was mobbed. So it would have exactly the opposite allocation of temporary help: we'd be mobbed in that eleven to two break, but nobody's in the office at the other place. But from three to five, it's mobbed.

That's another thing we would do: I don't think anybody, bank or savings and loan, had a computer analysis of traffic. We had, for every branch, a computer analysis of when people came in, so that you knew when your customers were there, and you could staff accordingly. That wasn't brain surgery.

03-01:57:43
Meeker: Given that no new branches had opened in San Francisco in five years, did you find the competition to be calcified? Was it easy to differentiate Golden West?

03-01:57:56
Sandler: If you were to look at the numbers from the time we started to the time we sold the company, in virtually every year, if not every year, our deposit growth ranged from a little more than the average to an enormous amount more than the average. Marion knew how to market. Although it is funny: after we entered into the contract with Golden West, Marion, of course being very friendly with Bart Lytton, called Bart and told him about it, and he said, "Which company is that? I can't remember. Which is that?" And he said, "Oh, yeah—that's the one with lousy advertising."

But after Marion, it wasn't lousy advertising. She just understood marketing, and was just better. We spent less dollars for more intake than anybody by far, over a forty-some-odd-year period.

03-01:59:01
Meeker: I mean, I think that that is maybe one of the through-line stories about Golden West and World Savings, is you get that as well in productivity. I mean, the Jason Jennings article that you—

03-01:59:13
Sandler: Oh, yeah. He pretty well caught it. He got the essence of it.

03-01:59:19
Meeker: So, in the few minutes we have got left today, I am wondering if you could back up a little bit. And you've already told me some good detail about the context of the savings and loan industry in California at the time, through your firsthand experiences. What about the housing landscape in the first half of the 1960s in California? Did you come out here seeing this as the golden west,

and that this is where people wanted to move to, and there was just the hunger to build?

03-01:59:55
Sandler: There was no question about that. California, Arizona—to a lesser extent, New Mexico—were capital-short areas. The problem was other areas of the country from which people were moving were not growing; were capital-surplus areas. The issue was how you moved money from capital-surplus areas to the capital-short areas.

One way is if there is a differential in the savings rate, they used to call that "dialing for dollars." So if were paying—I'm making up the numbers—4.8 percent, and other places were paying—in the East, where they had little demand for loans, why would you pay up? You wouldn't know what to do with the deposits if you got them. So they might be paying 4.3. So people out west would advertise they are 4.6, and money would roll in. We were very nervous about that kind of money, because that was hot money. The minute the interest rate situation changed, that money had no reason to stay 2,000, 1,000, 3,000 miles away. It would be pulled out as fast as possible. So we were always frightened of what's called "broker money" or "dialing for dollar money."

03-02:01:22
Meeker: There were no policy regulations prohibiting advertising across state lines or something?

03-02:01:27
Sandler: No. But there was something called "participations in loans." Which is what Fannie Mae and Freddie Mac enabled, which is your secondary market. But in those days, in the conventional loan world—Fannie and Freddie were not the dominant force that they were in later years.

So we established relationships. We would go to conferences which were national, and tried to meet with companies who were concerned with quality, but didn't have the demand in their area, and try to establish relationships so that we could sell them loans. And at the time when we first started, the—I don't know if it was an established rule or it was just a practice—you would typically sell a participation in 50 percent of a bunch of loans: a $1 million package; a $3 million package; a $5 million package. So we sold tons of participations in loans to people in Iowa, Illinois, Kansas—states where they had too much money and not enough demand—and we had too much demand and not enough liabilities.

And Barney was fantastic at that, because they would come out. Their loan people would come out and look at the loans. And our people would take them around. And then you go to dinner at night, and you establish relationships. There were a whole bunch of people that tried to get Barney married off all the time. Barney was a bachelor, and he is this wonderful,

charming guy, he's taking them to dinner, and one guy would introduce him to one girl after another.

03-02:03:25
Meeker: This is interesting. I hadn't really conceptualized it, but what you are talking about is sort of a liquidity crisis in—

03-02:03:34
Sandler: It's not a crisis—it's a need.

03-02:03:35
Meeker: Yeah. There is also a chicken-or-the-egg problem, right? Because people want to move to California, they want to buy a house, but the savings and loan businesses don't have enough deposits to then to make loans.

03-02:03:53
Sandler: So they need money. And this was the safety valve. This is what you did.

Incidentally, many of these people became friends for ten, twenty, or thirty years. These sustained relationships. We had one fellow, George Wachic, must have bought packages for us—he was from Cleveland—over a twenty-year period. I mean, first of all, when he came out to look at loans, he really didn't anymore after a while, because he never had a loss on any of our loans, and it was the same management, the same loan people he knew, the same policies. So after a while, for him, it was almost pro forma. He came out because he liked to see us, and it was a trip to California.

03-02:04:39
Meeker: So in Iowa, they had an overabundance of deposits and not enough interest in buying loans?

03-02:04:47
Sandler: Right. Not enough demand. Well, that's what Fannie and Freddie are all about. They nationalized the market for the movement of money. If you think about it that way, that's their real function.

03-02:05:00
Meeker: I'm curious. Stepping into the role of a historian, do you see that these kinds of innovations that you were just detailing played any role at all in the opening up of the housing market in California, making it easier for people to move out here?

03-02:05:19
Sandler: Oh, yes. I think it was critical. I mean, I never thought of it in that fashion. All I was interested in is we were able to originate a large number of high-quality loans. What are the sources? Deposits. Borrowings from the Federal Home Loan Bank Board, which was in those days both our regulator and a source of credit. So when I first entered the business, every institution, unless there was something wrong with it, had a line of credit of 17.5 percent of its deposits that they could borrow from the Federal Home Loan Bank for the purposes of

growth. Home Loan Bank also was a standby in the event there was some crisis and they had to lend to you because you had unusual withdraws for some reason due to externalities.

And the third source is the sale of loans. So Marion knew that, and in our five-year plan, she had the concept of originating more loans than we could get deposits for by the sale of participations. We sold an amazing number of participations in ‘64 or ‘65. Then it stopped in ‘66 during the period of disintermediation.

03-02:06:42

Meeker: What kind of terms were the participations’ participants looking for?

03-02:06:47

Sandler: Well, that was negotiable, but it depended upon a variety of things. We would want to know what kind of yields they were getting on their loans, and we would give them something that was competitive with that. And it was terrific for them, because somebody could buy $2 million or $3 million or more in loans in one fell swoop without any staff, other than their regular staff. So George Wachic was in charge of lending. He came out with a junior person in the early days and looked at every loan. And he looked at less and less as he had more and more experience with us and the kind of loans we made. So it was great for them.

But if I had to recall, let’s assume the average loan rate on a fixed-rate loan—and I am making this up because I can’t remember—was 6 percent—5.5, or say—let’s call it six. We would probably sell at 5.25 percent yield. So we would make on that 75 basis points, and be able to take the money we get in to originate another batch of loans, in which we could then sell participations. So it made you very efficient; another way of keeping costs down, as well.

03-02:08:15

Meeker: Again, thinking about the expansion of housing stock in California to try to meet presumed demand of people wanting to move here, not to mention this is the tail end of the Baby Boom, of the increasing family sizes and bigger homes, developers would have gone to banks, correct? They would not have gone to savings and loans?

03-02:08:37

Sandler: They would go to banks for construction loans. Banks typically didn’t make takeout loans, or the final permanent loan.

That was not where commercial banks made their biggest spreads, or the biggest profits. They also didn’t like the idea that at that time all residential loans were fixed-rate loans, because banks always were much more conscious of interest rate risk. Savings and loans, because of our charter, until 1966 disregarded interest rate risk. And then there came a time when they could no longer disregard it, which was in 1978, when [Fed Chairman Paul] Volcker

kept pushing the rates up. If you remember, the prime rate at one time was something like 21 percent. Hard to believe in a world—anybody who's young in the business today has no idea of what reality is. It's a false reality, and they are all in for a big shock at some point.

03-02:09:59
Meeker: Well, actually, we don't even see inflation going up yet, so that's—

03-02:10:04
Sandler: Well, we are going to. I give you a guarantee. The only guarantee I can give you is there will be change in interest rates.

03-02:10:14
Meeker: You know, you've got these three branches: San Francisco; the home branch in Oakland; and—

03-02:10:19
Sandler: And then we got three others pretty quickly.

03-02:10:22
Meeker: Well, let's just talk about these three for a second. Then we can wrap up. And Castro Valley. Those are three very different housing markets. I mean, San Francisco is, I would imagine, mostly built out by that time.

03-02:10:33
Sandler: Don't associate a branch with loans. They are two different things you are doing. You don't have to be in a branch to do the lending. I can open a little office anyplace I want where I think they can best attract loan business. The branch for us always was to acquire deposits. If they were located in an area where there was a lot of lending, fine. We would make that our loan office as well. If it was located in an area where there was not much housing demand but fantastic savings potential, then we wouldn't put any loan people in that office. We'd put them where the lending is. Totally separate activity; totally different marketing strategy; totally different type of person.

03-02:11:21
Meeker: Where was the lending happening?

03-02:11:23
Sandler: In those days, it was all over. Here is an interesting story for you. We shouldn't get the credit for it. We were very lucky, first of all. We acquired a company which was very clean, which told us that they had safe policies and good personnel. But there were two especially talented loan people who ran the lending: a fellow named Dick Jaffie, and John Morgan. John Morgan in particular was spectacular. They understood what it was all about, and they cared about quality.

At that time when we acquired them, their lending was primarily in Alameda County, which is where Oakland was. A little bit in Contra Costa County. We

started to expand it into Contra Costa, because the whole loan demand in Contra Costa was fantastic, and then ultimately, down into the peninsula.

I would say 40 percent of our loans, both under Mr. Jacoby and under us, were to African-Americans. We had two studies done by the University of California economics department about how could that be? It was done in the mid-sixties and early seventies. How could a company that had such a high percentage of loans to African-Americans have virtually no real estate owned as a result of foreclosure, and have such low scheduled items, which means troubled loans? They asked for permission; we gave them all the data they asked for.

So the point is, if you follow the appropriate lending standards, absent any peculiar externalities—which are unpredictable, like a housing crash—residential lending is a great business. That led to another policy of ours, which most people regarded as strange; we did it in part out of principle, but we thought it was not bad business. We would not do risk-based pricing. By that, I mean somebody—Bill Gates—applies for a loan. If the going rate for that is 6 percent, and he applies in Piedmont for a loan, and I'm going to charge him 6 percent, the policy we established is an African-American in West Oakland who qualifies for the loan should pay 6 percent.

03-02:14:25
Meeker: So it probably wouldn't have been race based explicitly, the practice of other S&Ls—

03-02:14:32
Sandler: It eliminated all these issues, all the garbage, that some people did. Many charged 2 percent, 3 percent more. That was because they could get it, because they were not as well-schooled financially as Bill Gates was, did not have advisors, and you got away with murder.

03-02:14:50
Meeker: The neighborhoods experienced social unrest and were uncertain.

03-02:14:53
Sandler: Yeah. And again, with that percentage of loans to, quote, "minorities," we had the lowest scheduled items of anybody. That tells you that if you are using appropriate practices, you don't have to do risk-based pricing, which leads to all kinds of terrible issues.

03-02:15:20
Meeker: Well, let's end on that note today.

03-02:15:22
Sandler: Okay.

Interview 4: March 02, 2017

04-00:00:13

Meeker: Today is the second of March, 2017. This is Martin Meeker, interviewing Herb Sandler, and this is interview session number four. We are at the offices of the Sandler Foundation in San Francisco.

Based on an exchange and conversation that we have had over the past couple of days, it's clear that we should go back and talk about something that preceded your move to California, which is where we left off in the previous interview session. I'd like to ask you about some of the activism and community development work that you were engaged in in your home neighborhood—which was then becoming known, I guess, as Two Bridges—in the Lower East Side of New York. Before we get started in the description of the work that you actually did, I'm interested in a bit of the street scene that was happening there. I've seen this neighborhood described in the early and mid-1950s as really the first neighborhood that truly becomes integrated in New York, or at least Manhattan, with existing populations of European first and second-generation immigrants, including Jews, and then emerging immigrants: African-Americans from the South; Puerto Ricans from Puerto Rico. And can you just kind of describe that milieu?

04-00:02:09

Sandler: I think I mentioned it in an earlier portion of these discussions: that this was an area in which, historically, immigrants went. A) It was a very low income, a low cost area, not too far from where people got off from Ellis Island. When I was growing up, it was largely Jewish, Italian, Irish, and I may have mentioned among my close friends were Greeks and Spanish. In 1954, I went into the Army, and then when I came back a couple of years later, there had been an enormous influx of blacks and Puerto Ricans, as you indicated—and remember also, we were just—the building in which I lived was about four blocks away from Chinatown. I grew up in an enormous mix, but when I came back, the mix was even wider and more dispersed. And it's a fascinating place to study and to look at. I'm not sure what else I can tell you.

04-00:03:40

Meeker: Well, when different groups come together who previously have not been together cheek to jowl, it's not usually harmonious. Oftentimes, there are tensions, and I've even read there was a lot of gang activity—youth gangs fighting with one another. Did you witness any of this? Did you feel this tension?

04-00:04:00

Sandler: No. On my recollection of my childhood, it was pretty benign. Many of my friends were Italian, Irish, Greek, and Spanish, as well as Jewish. There was a different kind of attitude, I think. There were some Italian gangs, but they were friends for the most part. I never actually witnessed any kind of gang warfare. I guess it was going on, but until I got older and read about it in the

papers, it was not brought home to me as something I had to fear. There was a certain amount of roughness in the neighborhood.

Knickerbocker Village was a very large building. It was an early limited-dividend-type project: very large; elevatored; much nicer than the surroundings, even though the income was not any higher—or maybe a little bit higher—than the folks who lived in the five-floor walk-ups. But there was something interesting, which I didn't understood too well at the time, but looking back on it—we had a big playground in the building, and a lot of activities for people who lived in the building. And they referred to people who didn't live in the building as outsiders, and the people who lived in the building were insiders. And it came home to me again when I would read to my children from Dr. Seuss and the star-bellied Sneetches. There is the insider and the outsider, and at the time, I didn't understand it. But sometimes, there would be tension in that sense, in which theoretically, they shouldn't be coming and playing in the playground, even though my friends would come to play with me who did not live in the building.

So there is that. I do remember zip guns; I don't know if you have ever heard of those. They were a certain kind of gun where kids could build it themselves, and it can shoot off pellets or something that wouldn't kill you but could hurt you seriously. I never had that experience, but I knew it existed. I did not live in fear.

04-00:06:51
Meeker: When you came back from the Army, what age were you, roughly?

04-00:06:54
Sandler: Well, I got out of the Army in '56. It would have made me twenty-five.

04-00:07:05
Meeker: Okay. I understand at about that point in time, you get involved in the community in a more direct way.

04-00:07:13
Sandler: I have been trying to think of how it started, and I don't remember. But there was this organization called Two Bridges Neighborhood Council, which is a conglomeration of people who lived in the community, people from the settlement houses, and people of the cloth. And it was a unique collaboration. You know, as I think back on it, I don't think I fully understood it at the time, but looking back on it, I think it was an extraordinary development.

First of all, the settlement houses had always played a large role in the lives of people who lived in New York who lived close to settlement houses. A very famous settlement house: Henry Street Settlement, Madison Street, Hamilton-Madison, Educational Alliance, and others. And the people who ran those or worked there were largely social workers tending to the needs of a newly immigrant population. It was interesting: I remember we had three people of

the cloth involved in Two Bridges. There was a Catholic priest who was very conservative, older, and not really very active. We had somebody who was kind of the middle of the road—whose name I have been trying to remember, but I don't—who was a Lutheran minister, who was a really good person, but somewhat straight laced.

And then we had this extraordinary, charismatic individual who was Episcopal, whose name was William Wendt, and he had been a fighter pilot in the Army. He had flown many missions. There was something about him that was magical. His decency and caring and empathy and smarts just shone through. Very effective. Beloved by everybody. Children just adored him. He was kind of a hero of mine. I was very close to him. He would get involved in things that were a little edgy: rent strikes; other kinds of issues that affected people, people who were losing jobs, this group would always get involved, and he was always the leader, and the person who would strive to do something.

Just to jump ahead, as you know, I left for California in 1962, but I always remembered him. And one day, I saw a headline in the *New York Times*: "Episcopal Bishop Under Attack." And it didn't have the name at the heading. And I turned to Marion and I said, "That's got to be Bill Wendt." And sure enough, it was, and what he had done is he had let a woman conduct a service, which created a lot of problems for him. But it was so typically Bill Wendt. What is the right thing to do? How do we accomplish this? And actually, he did it very thoughtfully, and I reviewed the case against him, which he lost with a minimal punishment, but it was three to two, and the three who voted against him were people of the cloth, and the two who voted in his favor were lawyers. It was kind of reversed of what you would think it would be. Who cared about the people? Who cared about the right issues? So that was Bill Wendt, and that's the way he lived his life, and one of the most unforgettable characters I've ever known.

04-00:11:31
Meeker: I see that he described himself at some point as an "impatient Christian." What do you think that meant?

04-00:11:37
Sandler: It meant do the right thing no matter what the so-called "guidelines" or "customs" are. Look: he is somebody who survived eighty missions. He was close to death on a continuous basis. Obviously, it must have affected his life. He never spoke of these things; you just had to get him out of it sometime when he would slip and tell you something personal about his background. He was just the kind of person who was focused on doing the right thing for his community, for his flock, and for everybody who came within his aura.

04-00:12:20
Meeker: What was the nature of your relationship with him?

04-00:12:24
Sandler: Well, we met very often. During the period I was involved—which was starting sometime in 1956 and stopping sometime in 1960—I was young, I had a lot of energy, particularly before I took over my father's practice. I worked at the Waterfront Commission, but I didn't have to work at night, as I did when I was in private practice. And so I needed an activity. And as I told you, I was rather shy with women, so I didn't date. And so I got involved in this organization.

I'm fascinated. You know, we support, in the [Sandler] Foundation, the largest organizing operation in the country, PICO. And it's kind of funny that I was one of the activists doing what PICO is doing now; that I was doing it then with yet another important figure and that was the person from the Madison Settlement House: a fellow named Jeffrey Weiner, who was just an extraordinarily warm, decent person. Wendt was spectacular because there are few people like him. He had movie actor charisma. Jeffrey was just a very warm guy.

So I spent an enormous amount of time, and there are committees; there are continuous meetings. I would say I spent—for at least several years—three to four nights a week, and occasional weekends, working on Two Bridges issues.

04-00:14:11
Meeker: Did you bring your skills, then, as an attorney to the work that you were doing there?

04-00:14:13
Sandler: I don't know what skills I had then! You know? Who knows how good I was. I was good with people, and I was good in getting people to work together. I thought all the people there who were active really were extremely able, caring, smart, and, by and large, effective. And I think we punched well above our weight as a small organization. Having a settlement house on your side was terrific; having people of the cloth, such as the folks I mentioned—especially Wendt—was terrific. And then you had other lawyers and people who were active who had a concern for the community. I just remember being very busy. I'd come home, I'd grab a bite, and then I'd be out.

04-00:15:10
Meeker: Your role, then, would you have described it basically as a community organizer?

04-00:15:15
Sandler: Yes. I don't know if I did organizing, but certainly, when you did rent strikes or something of that kind, my so-called "legal skills" were probably helpful. I don't think I had many skills at that time. But it was something I was totally involved with, emotionally and intellectually, and it was a great outlet, and I obviously learned an enormous amount there.

04-00:15:39
Meeker: Well, what did you learn? Can you sum it up in any way?

04-00:15:41
Sandler: Well, I learned about people, for one thing. Because there's all kinds of people. This is a poor neighborhood, and you had to be able to deal with people who were quite different. Many of them, particularly the older folks, had not gone to school. They are recent immigrants. And they have got problems, and somebody has to help them solve those problems. That was something, theoretically, in the old days, one of the good things about political parties as they used to exist, was they did serve a purpose in handling the problems of people such as I've described. But this organization was a little bit more aggressive.

I remember one of the things I did which I did enjoy: we did a lot of work with youngsters in terms of arranging sports activities and dances, and other kinds of things like that. And then we'd have to be there physically to make sure nobody did anything that caused any problems, because these are young, rambunctious kids. And there was tension coming from the fact that there were blacks and Puerto Ricans moving into an area of older-style Italians, Irish, and Jews.

04-00:17:08
Meeker: Did you get a sense of how it was possible to defuse tensions and allow those different groups to engage with one another on a productive level?

04-00:17:19
Sandler: Well, certainly these sports activities and the dances were terrific, because kids have a lot of energy, and this used up their energy. It's not baloney. It really is true: when you engage them in activities where they are having fun, and it's organized, and you can have competition and get all that excess energy expended in a way which doesn't hurt anybody, it really does work. It's not a lot of psychobabble or baloney—it's real.

04-00:17:58
Meeker: I guess Saul Alinsky's manual doesn't come out for a few years after this, but were you familiar with him or the emerging field of community organizing?

04-00:18:08
Sandler: Yes. I used to love to listen to him debate. You could hear him on the radio, and he was just so much better. He just wiped everybody out. He was pretty outrageous, but he was incredibly smart and effective.

04-00:18:25
Meeker: Do you remember anything about the way that he was advocating or the program that he was coming up with that might have influenced your perspective over the years?

04-00:18:33
Sandler: I can't tie to that anymore. It's too far in the past. But I certainly was aware of him—I mean, I've read a bunch of his writings. But I was more impacted by listening to him on the radio debating. He was just a far better debater than anybody else.

04-00:18:51
Meeker: You know, you had mentioned in an earlier session the street corner encounter with Ed Koch and your brother. And I know that your brother became involved in politics, I guess as a result of that.

04-00:19:06
Sandler: No, no—he was active before.

04-00:19:08
Meeker: Oh, he was already—?

04-00:19:08
Sandler: No, he was active. Ed Koch was active in Greenwich Village, in what's called the VID—the Village Independent Democrats—who were seeking to overthrow Carmine DeSapio, who was the leader of the organization club down there, but also the leader of Tammany Hall, which was the whole New York system of Democrats. My brother became active in what's called the Lexington Club, which was on the Upper East Side, and it was a really incredibly bright group of people, and they were a real force in the intellectual fervor of that time. So he was involved in that.

That was the reason—you may or may not remember—he asked this question, which Koch answered honestly, to the detriment of the position he had been espousing. But the reason my brother could ask that question is because he was so much involved in the reform movement, and knew who were the real reformers.

04-00:20:16
Meeker: You know, the reason I brought politics up, I'm curious about the work that you were doing in Two Bridges. [side conversation deleted] Even though there's three bridges. Because the Manhattan Bridge is there, too.

04-00:20:36
Sandler: Oh, no. Actually, the real bridges we thought of were the Manhattan Bridge and Brooklyn Bridge. And a little bit further uptown was the Williamsburg Bridge, which cut across at Delancey. They were uptown—who cared about them?

04-00:20:48
Meeker: [laughs] Okay! But you know, the politics dimension is interesting to me, because I'm wondering if, at this point in time, did you start putting the pieces together? Recognizing the challenges that were experienced by the people in your neighborhood in a broader political context at all?

04-00:21:09
Sandler: No. No. No. The person who would think about what you just said would have been my brother, who was a lot smarter than I was, and thought much grander in the political sense of what the world was all about. I think I was an innocent until quite late. Like last year.

04-00:21:35
Meeker: [laughs] Yeah. I think that was a loss of innocence for a lot of us. Well, also thinking about broader contextual issues, the late 1950s, of course, is when we start to see the real flowering of the Civil Rights Movement coming from the South. Were you witnessing this or aware of this from your perch?

04-00:21:57
Sandler: Just reading about it and listening to it on TV and radio. But I was not an active participant in it. I should have been, but I was not.

04-00:22:07
Meeker: Did it seem like there was any relevance or ramification for what was happening in the South in relation to what you were confronting in—

04-00:22:18
Sandler: No. I was just dealing with concerns in our community, and the problems that people had. These are people, largely, who don't have any kind of serious resources. They are recently arrived, many of them. The older generation—my friends' parents, particularly my Italian friends' parents—did not speak English. It was a tough life. I don't know if you have ever been in a five-floor walk-up of the old tenement type. Very dark. I remember the darkness. That affected me when I visited with my friends. There was minimal light.

04-00:23:04
Meeker: And it's a long walk up to the top floors.

04-00:23:06
Sandler: It's a long walk, and you have got to carry everything up, and it's a tougher life. I was lucky to have been into this building with elevators. That was amazing.

04-00:23:18
Meeker: Well, you know, clearly, you were of the neighborhood, but the way that you talk about it is that you were separate from the first-generation or second-generation immigrants, the people who were not living in the buildings with the elevators. That even within that—

04-00:23:35
Sandler: Oh, we had plenty of immigrants in our building. We did.

04-00:23:38
Meeker: But even within that neighborhood, there were, according to you, some discernable class differences—

04-00:23:45
Sandler: Yes.

04-00:23:45
Meeker: —or opportunity differences.

04-00:23:50
Sandler: Certain numbers of the Italians were much more aggressive physically, and they would push people around. For whatever reason—I guess because I had so many friends in that community—I never had that kind of problem. My closest friend for many years as a child was Mario Bonfiglio, and so he was part of that Italian community, and everybody knew it, and I was part of that as well. I played basketball, and most of—not most, but a large number of the people I played with were also Italian. So I was part of their group, and I was not treated as an outsider to them. Now, I can't remember why that was; maybe just my ability to get along with people. But my friends spanned all the groups.

I don't remember having any friends from Chinatown, though. At that time, the Chinese really lived in this very narrow area of Chinatown. I just visited the area last year, and the Chinese population has exploded. And so their impact is much greater than it was then.

04-00:25:31
Meeker: You know, when you are doing some of this community work in Two Bridges, are you getting a better sense of what might be called the nature of power?

04-00:25:42
Sandler: Never thought about that, other than the power of the group when we had a dispute with a landlord or something of that kind, yes. But I didn't think on a large scale. I just thought of the problems of the time and what to solve. It wasn't until much later that I got a much bigger picture.

04-00:26:06
Meeker: But there was still some education, I guess, that you were getting from people?

04-00:26:10
Sandler: I was. Yes. I was learning a lot, but to be truthful, I was not thinking grand thoughts at that stage. That came much later in my life, and has pretty much informed our philanthropic efforts.

04-00:26:26
Meeker: I think you had mentioned on the phone that they ran one of the first methadone clinics in the United States.

04-00:26:33
Sandler: I remember that clearly, because that received a certain amount of notoriety at that time. I believe it was on Henry Street, which was a few blocks away, and Two Bridges was the organizing entity, together with their parent group, which was called LENA, or the Lower East Side Neighborhood Association,

which still, I believe, exists today as well. And we had a methadone clinic because of the drug problems that were going on, in an attempt to have people not take heroin, but take the safer drug. I don't remember the details of it, but I remember a lot of excitement that we had at the time, and of being affiliated with something. It may have been the first, but certainly, if it wasn't the first, it was one of the early methadone clinics in New York.

04-00:27:32
Meeker: Well, this is fascinating. I thank you for bringing it up, and I think that's an important—

04-00:27:36
Sandler: Yeah. It kind of slipped my mind, and it was important. It was a terrific experience that I had, and I learned a lot. And you people ask questions about why are you like this, and why are you like that, and I really hadn't been thinking about my activities there, and that clearly was important for me in forming who I became.

04-00:28:04
Meeker: Shall we move forward?

04-00:28:06
Sandler: Wherever you want to go.

04-00:28:07
Meeker: Okay. Let's leapfrog, then. We had spent a good deal of time last week when we met talking about the study of the savings and loan market, the acquisition of Golden West, some of the early expansion following the acquisition, such as the difficult process of getting a branch established in San Francisco, and I think we kind of left it off there.

So as far as establishing your and Marion's presence at the firm, and how it was going to be different from how it had been, and how it would be different going forward, I think there is the important question of who is running this, how are they running it, and what roles they are assuming in the process of establishing their management structure and practice. So that's what I'd like you to talk about. And you are going to probably have to take some lead here in delving in and getting into some detail, because all I have is this broad sense. And everyone I have spoken with on background, I ask them, "What kind of questions would you ask, that maybe you don't know the answer to?" And everyone says, "Well, how did they actually manage this? What were the underpinnings of their relationship in running a firm together?" So why don't we start, like, at the beginning, because my sense is that from the beginning, you had a pretty clear idea in mind about how this was going to run successfully, and sure enough, that worked.

04-00:30:07
Sandler: Can I just precede that with one comment, because it'll come up later. On the trip coming in and moving to California before we acquired the company, we

had an introduction to the chairman of the Bank of America, which was the largest bank in the country, if not in the world. And the introduction came from a gentleman by the name of Arthur Maxwell, who was the Biddeford, Maine, banker, and whose institution's assets were $12 million—a really tiny institution. And he had come to know Jesse Tappe, the chairman of the board of directors, through his activity on committees of the American Bankers Association.

So we didn't know what to expect—an introduction from this tiny little banker to this guy who heads up the largest bank. And we called, and immediately, "Come up immediately." Because we stopped in LA on the way up to San Francisco. We came the southern route; we drove across on the southern route, and then we were heading up through LA. And this distinguished gentleman, Jesse Tappe, treated us like we were his children. He just was so dear to us, and so sweet, and so gracious. And then when he found out we were going to live in northern California, he made arrangements for us to meet with the person in charge of the Bank of America's northern California operation, who was an executive vice president by the name of Claire Sutherland. And we received the same greeting there, and it always struck me: this banker in Nowhere, USA, is giving us an introduction to this enormous bank, and we are treated like royalty.

That becomes important, because later on, when we were looking for a loan when we acquired the company, we were told by Claire Sutherland, who, again, we chatted with regularly, that he couldn't make us the loan because he had a member of his board of directors who regarded savings and loans as being competitors, and therefore, they should not fund competitors. And he was really unhappy about it, because he had a lot of faith in us, even though he hardly knew us, except for the questions that he had asked us and the talks we had. And this will come up later, probably. We got a call X years later from him—because he continued to watch our progress in the company and follow us—and he said, "That director has just retired, and now we are no longer restricted from making loans to savings and loans, and we'd like your business." And they ultimately became our banker, which we might discuss later. But that was kind of a fascinating little thing all starting from a banker of a $12 million bank.

Okay. To the question that you did ask—

04-00:33:32
Meeker: You know, let me meditate on that for a second, because every single person I have spoken with, particularly around the philanthropic side of your work, says that you invest in people; you don't invest in ideas or institutions, really—although that's certainly part of it.

04-00:33:51
Sandler: Well, that's not entirely accurate. [laughs]

04-00:33:53
Meeker: All right. But the leadership, the person—

04-00:33:57
Sandler: It's critical. Absolutely critical.

04-00:33:59
Meeker: And it sounds like this is something you experienced on the receiving end as well.

04-00:34:05
Sandler: No, it's a very good point you are making. No, clearly. Clearly. The only thing is, he had very little evidence! I mean, he spoke to us at great length, and we had subsequent meetings. He was very kind, and invited us over to lunch and stuff like that. Why he did it, I don't know. He was just incredibly generous to us, and really wonderful.

But you are right. It's a good point. But that is critical in our giving. More than most, the key item for us—the mission is critical of course, and the ability to have impact is critical. But you can't achieve anything unless you have a terrific leader. And that's central to our philanthropic operation as it was in the way we ran the business.

So looking at Golden West, this nice old gentleman, O. D. Jacoby, was eighty years old, with his two children, and about twenty-some-odd other employees, with this $35 million or $38 million institution. It was amateur hour. Much of the savings and loan business was amateur hour, to be honest. But they were more amateurish than most. They were decent, honest people. The business was heavily regulated, both on lending and on acquisition of deposits. It was a very simple business. You took in deposits, you made loans, and the loans were safe loans, largely, if you were at all competent in any degree. And anybody coming in who had any sophistication should be able to make a success out of it.

We were lucky in one regard, and that was that their two senior loan people, people named Dick Jaffie and John Morgan, were superb. How that happened, I don't know. They didn't have to be, but they turned out—and particularly John Morgan was totally outstanding. If we had come into a company where we didn't have such good loan people, we wouldn't have looked so good in the first years. But we didn't have to replace them, because they were extremely good, both on getting business and on ensuring the quality of the loans was high. But everything else was amateur hour. They knew nothing about marketing. They knew nothing about accounting. They were just nice people; neat and honest people.

So at the time before we acquired the company, Marion had developed—with a little assistance from me—a five-year plan, which involved growing the operation, both in the acquisition of deposits and in the acquisition of loans.

And that plan, as you know, was mentioned in connection with the San Francisco branch hearing, in which it turned out that the lawyer for one of our competitors, whom we had retained as our attorney, had turned over our strategic plan to the CEO of another company.

It was A, B, C. We knew that we were in a capital-short area; that meant we had more loan opportunities than we were likely to have the opportunity to grow deposits, and it involved a program for the sale of participations in loans, which we discussed earlier. Looking back on it, it wasn't brilliant, but it was very smart. It was the kind of thing that somebody like Marion, who had been following the industry, could do in a clear, focused way that would inevitably lead to a successful operation. We never envisioned how big it would become, and how much money it would earn, and how successful we would be, but we knew if we followed that program, it would work.

As I indicated earlier, to our astonishment, Mr. Jacoby let us participate in the business right after the signing of a contract, prior to the actual closing and full payment. And in particular, he let us make the decisions with respect to the opportunity afforded by their paying a higher interest rate than their competitors. Had they been running the institution, they probably would have had a small increase in deposits, but we must have grown, I think, 10 or more percent in ten days.

04-00:40:05
Meeker: You mentioned previously the advertising and marketing program that went along with this as well.

04-00:40:11
Sandler: Yes! Yeah! We totally took over the marketing. And I thought Marion's insight as to the message—probably obvious, but she saw it with pristine clarity. It was unbelievably effective. It was an astonishing scene. This sleepy little institution, with heretofore ill-regarded respect for their advertising, suddenly the office was physically filled—you couldn't walk through the office—and people were lined up outside holding their passbooks from other institutions to transfer their funds into us, into our little company. It was an amazing sight, always memorialized by the fact that one of our tellers fainted—she had never seen such activity before.

04-00:41:06
Meeker: This is a footnote, but I think a lot of people listening to this will have no idea what a passbook is. Can you describe what that is?

04-00:41:14
Sandler: Yes. In those days, the only kind of savings account that we were authorized to issue is what's called a "passbook," which means you can take money out whenever you want—there are no limits. You put it in, and you take it out. It's not a so-called "certificate account": no certificate of deposit; no six-month account; no one-year account; no five-year account. And that was 100 percent.

04-00:41:42
Meeker: And there were literally physical—

04-00:41:43
Sandler: They were literally a passbook. And when you came in and did a transaction, they put it in the machine, and it would stamp, added $50, or $500, or withdrew that.

There is a further background there that the regulations—well, I don't know if it was regulations or custom. Before I got into the business, interest was compounded semi-annually. At the time Marion and I got into the business, interest was compounded quarterly. And if you brought your money in after the tenth of the month, you didn't get interest until the first day of the following month, which meant the institution got your money for nothing for twenty days if you brought it in on the eleventh. So that was the kind of very tightly-controlled, tightly-regulated situation in which these institutions were being run.

So we started to add appraisers. Marion and I had attended conferences in which what's called the "secondary market participants" would meet and talk to one another. And that is, institutions under the aegis of the savings and loan trade associations would meet so they could discuss with institutions in other parts of the country their interest in buying or selling loans. And out of that, it turned out that Marion and I were quite good at establishing these relationships. And Barney was terrific. We added appraisers, and people who originated loans.

We started to grow the lending operation rapidly. Of course, we didn't have enough deposits. Even as much success as we had in that reinvestment period, the growth of the loans was much faster than we could grow deposits, because we are in a capital-short area. And we would sell participations in loans to institutions from the capital-surplus areas of the country.

04-00:43:59
Meeker: Can you describe for me the importance of bringing in your own appraisers?

04-00:44:04
Sandler: Well, it's quite different at that time than it was later on. Later on, it's critically important.

The dominant force for some years in the residential lending and originating loans has been an entity called "mortgage brokers." These are middlemen who compete for loans directly through people who need loans or through realtors, who direct people to them. In the days I am talking about now, in '63, the mortgage broker industry was a very small participant. So Golden West directly solicited loans from realtors. In those days—and today, too—most people buy a home through a realtor. And that realtor has a relationship with

you—with you, the borrower—and you will generally say, "Who should I go to for my loan?" And they will refer you to somebody.

In those days, the most important thing to them was the certainty that the loan would be made, and the rapidity with which the closing took place, because the realtor wouldn't get his or her commission until the deal was closed. So speed of service was critical, and the certainty that you would know the loan is going to be made. And John Morgan and Dick Jaffie had a terrific reputation, and we just put a lot more people under them. And we were very successful.

So we were growing, at that point, both the loans and the savings. And the other key piece of the business at that time was how much money you spent in accomplishing what you had to accomplish, and the quality of the accounting system. At Golden West, the systems and approach was someplace in the 1800s. It was totally unprofessional. It was accurate, but very slow and cumbersome, and we had to go through a series of changes to professionalize.

So during that early period, the focus was on maintaining the quality of the loans, maintaining the quality of the deposits, operating efficiently, and growing. And making sure your accounting systems were good. And in those days, IT—the information technology—was really very, very bad; not good at all. So I would say it took about X years, until the early seventies, before we got to the next big stage, which was the professionalization of the management, and I think that's probably for a future discussion. But in the early stages, it was getting the marketing right to maximize the amount and quality of the growth in deposits, and hiring up to be able to originate far more loans of very high quality with low risk. And we did some professionalization in the accounting finance area. But until we got into the seventies, I would regard our operation, looking back on it, as still an amateurish operation, but very smartly managed in that environment.

04-00:48:11
Meeker: Well, speaking of the management, at what point did you and Marion sit down and say, "Okay, if we are going to do this, are we both going to be involved? Yes. And then what's going to be your area? What's going to be my area? Are we even going to have those divisions?" What was this conversation like?

04-00:48:31
Sandler: Never discussed that at the beginning.

04-00:48:35
Meeker: You just went into it feeling that—

04-00:48:38
Sandler: Well, I'm going to tell you. When we found out that he was letting us run the company even though we didn't own it yet, it was the sensation—and I think I mentioned this before—of being a kid in a toy store and candy store. It was an

unbelievable turn-on. Remember, we didn't have children then. This was twenty-four/seven. That's all we thought and talked about, and we were just having an unbelievable amount of fun.

And I remember our lunches frequently were at a place called Doggie Diner; I don't know if I have mentioned that. It's a couple of blocks away. You can eat your meal in five or six minutes, it takes three minutes for your ordering of the hamburger with the grilled onions and whatever, and we are back in the office in fifteen minutes, because god forbid we should be away and miss a toy or a piece of candy that was in that office.

So we did everything together at the beginning. We hired a marketing firm together; we went to all the meetings together; we met with Dick Jaffie and John Morgan to plan loan strategy and loan growth together; we met with the accounting people together. But we started suddenly to grow rapidly. And it became clear—I don't remember when exactly the moment came—that it was silly for us to be meeting with everybody together, particularly since we had all the other hours when we weren't in the office where we could tell the other person what we did. And you have no idea what that's like, to be able to talk to somebody whom you totally trust in every fiber of your being. You think they are smart; you think they are sound; you know they have no hidden agendas; you have exactly the same objectives—it's an incredible high.

And so we started to divide up. Now, Marion loved marketing, always had loved marketing, and it turned out she was a brilliant marketer. What would have happened if she weren't? I don't know. We probably wouldn't have gone that direction. But she was brilliant. And so she picked up on the marketing. I enjoyed very much the interaction with the loan people. So in essence, there began a breakdown from both of us seeing everybody together and doing everything together to her focusing on what we'll call the liability side of the balance sheet—namely, the acquisition of deposits—and I focused on the assets side of the balance sheet. Interestingly enough, I got more involved in strategic planning than she, even though she had a much better background for that. But I think what she was working on was so consuming and time-consuming and interesting and I had more time for that.

One thing we did together for our entire career at the company was selecting branch offices. In the early years, we did everything ourselves—we didn't have the staff for it—so we would decide which areas we wanted to add offices in, we would do the economic study to determine what those areas should be, and then what location within that area, and then picking the site. She would do more of the economic analysis; I would do more focus on the site, but she'd always be there, and I would always be there for her.

And the reason later years we did it is that every time you opened a branch, you were making a capital expenditure typically equivalent to about $2.5 million. In general, in later years, land cost $1 million to $1.5 million, and the

building cost the other $1 million to $1.5 million. So if you are making that kind of investment, we enjoyed doing that together. We had people, however—professionals—at that time working for us, because instead of doing one branch at a time, we were doing fifteen branches or more a year. So we had professional people doing the economic analysis, which Marion reviewed, and I would review the work as to what sites were available, were desirable, but Marion and I, until the very end, visited every single site we ever put a branch.

04-00:53:50
Meeker: It's interesting, because the next question I was going to ask: were there any activities that both of you really wanted to do, or activities that neither of you wanted to do? But it sounds like for this activity, both of you got something out of. Yet even within that, you were able to do a reasonable division of labor.

04-00:54:09
Sandler: Yeah, right. The key for us—which, I'm getting ahead of your time—was in the early to mid-seventies, in '72 or '73, we hired somebody by the name of Steve Voss, who had come from Xerox. And you probably don't know this, but Xerox of that period would be generally regarded as the best-managed company in America. They were terrific on cost controls and on selling. They actually sold those services as a profit center. And Steve hired somebody—and I should talk about this later in more detail, because he is very important—somebody by the name of Jim Judd, who was brought in to work in the savings arena, and who ultimately became our president and chief operating officer.

And that started the real professionalization, because what Jim did, and Steve together, is they focused on hiring the best and the brightest from the Xerox organization, because Xerox was starting to change. They had a new president, and they were no longer the best-managed company, and the best people didn't want to stay there. And so we were able to pick off the best and the brightest of people that came trained by the best-managed company in America. And we also hired people from IBM and other companies that had specific skills that worked for us. And that period was a period of serious professionalization of the operation.

04-00:56:03
Meeker: So you might have just answered what I'm going to ask a little bit by talking about hiring excellent professionals in the top of their field. But I'm curious about management style, because both of you really come to this work as being more or less standalone professionals.

04-00:56:22
Sandler: We were not managers.

04-00:56:23
Meeker: You weren't managers?

04-00:56:23
Sandler: No. I wouldn't have hired me!

04-00:56:26
Meeker: Yeah. [laughs] Well, you also hadn't had a lot of experience managing big teams of employees, or multiple levels of employees, and neither would have Marion in her position—

04-00:56:38
Sandler: No, we didn't.

04-00:56:38
Meeker: —at Oppenheimer. How did you develop a management style, philosophy, persona even?

04-00:56:47
Sandler: Marion's a natural manager. Marion was superb in virtually any area you can mention. She was just a natural. And she saw things clearly, was extremely optimistic, always thought there was no problem that couldn't be solved. And she just took to it like a duck to water. I think I was much more frightened, much more insecure, although some of the experiences I describe with you of some of Marion's issues that she had with some of her own properties that she owned and my representing some of her boyfriends, particularly the inventor Haim Shwisha, gave me a lot more confidence. But double-teaming it was good, because you begin to see, hey, I am not so bad. I really get this stuff!

We were both good with people. Marion is very direct, doesn't sugarcoat stuff; you know just what she thinks at all times. I am more soft, cotton things for you. I'm big on context, which always affected my speeches, because Marion would describe my initial draft of any speech I am about to give as I throw in the kitchen sink all the time. And I explained to her that you have to provide context so people really, truly understand. But looking back—we always reviewed our speeches afterwards—hers were always much better, and her changes in my speeches made them much better. So she is more direct, more clean, more to the point, less bull. I do a lot of stroking; Marion doesn't do much stroking. On the other hand, people who work for Marion regard her as rigorous—not "rigid"—tough, direct, and the best person they ever worked for, and how much they learned. And you looked at letters from people we received, they say she changed their lives.

04-00:59:18
Meeker: You know, during these first couple of years, clearly, there is a whole record of many successes. When you look back to these first couple of years, do you see any significant challenges, or maybe even any failures that you learned from?

04-00:59:34
Sandler: Let me give you a bigger context—here I go with context!

04-00:59:41
Meeker: Right, yeah! Please do.

04-00:59:42
Sandler: So we have this five-year plan. And we had two things that were unanticipated, two externalities—one terrible, and one terrific. The first externality which was unanticipated was 1966, which was what we call a period of disintermediation. Remember, a savings and loan and a bank is an intermediary. We bring people together. We bring savers and borrowers together through us. And what happened is that we were disintermediated. We had the first tight money since World War II. So remember, at our age, that meant that ever since we were adults, we had never had a tight money period.

04-01:00:37
Meeker: Can you describe what a tight money situation is?

04-01:00:38
Sandler: [A tight money environment occurs when market interest rates rise to a level higher than what the depository institution is authorized to pay or is more than the depository institution can afford to pay.] Then people will take their money out of the financial institution and go into money market instruments or something else. And that meant there was a total cessation of inflow of deposits, and in fact, deposits were going out during this period.

04-01:01:01
Meeker: And you wouldn't give loans because you would lose money on those?

04-01:00:04
Sandler: See, this is a very important year. Nineteen sixty-six was extremely important, because we did two things about which Marion and I were incredibly proud. The first thing we did is what we did with our staff. It is possible we had a few layoffs. My personal recollection is that we didn't lay anybody off, but if we did, we would have done it all at once, and it was a very tiny number. The people who are most at risk are your appraisal staff, because they have got nothing to do since you don't have the liquidity to fund loans.

So what we did with them—and I remember there was a British fellow that we had that worked for us in the loan area, Don Pedrick. Well, he was painting houses, and Peter Falk was painting houses. And then we found other jobs that should be done, but when you are rushed and busy, you don't get to do, and we would put them into those jobs. And the one that I'm most fond of is a fellow named Ivan Chow, who was a very aggressive loan person, and we put him in the accounting department. For years afterwards, he always teased us about what it was like working with those bean counters. He said, "Their idea of extraordinary joy for an accountant is that you balance at the end of the day! And that was the high in their lives." And he always would tease them and me about that. But he actually learned a lot. But they kept their jobs.

The second thing we did that I'm proud of—

04-01:02:51
Meeker: I'm sorry—when you say "painting houses," they were—

04-01:02:53
Sandler: Well, we had certain small pieces of REO—real estate owned—that we took in foreclosure. So we had them working on fixing the houses up for sale. We just found work for them to do—not that they enjoyed it, but they were still on the payroll. And these were experienced, good people.

And the other thing we did which Marion and I took great pride in was we did not—and I think we were the only one—we did not cancel any loan commitments. Because in the course of business, you are continually making commitments, and all of a sudden, you don't have the funds to provide for the loan. So what we did is with everybody who had a commitment, we contacted them, explained the situation—which they understood, everybody understood the situation; it was in the papers everyday—and said if they could wait, we would make the loan. If they could get their funding someplace else, they should do that, but if they can't, we would make the loan, and we would do it in the order in which the money came in, and the date of when the commitment to them had been made. And in fact, we funded every single loan of those who did not move, who did not find another place to make the loan. It was highly unlikely anybody did in retrospect, because everybody was in the same situation. Almost every other institution we know of were canceling loans right and left.

04-01:04:26
Meeker: Were these loans that you were going to lose money on?

04-01:04:28
Sandler: Oh, I have to remember. That's a good question. We wouldn't have made a lot of money and we may have been losing money. It certainly wasn't at a rate that I could have changed the rate to—in other words, we weren't going to fund a commitment and then change the rate on them, because we—So it was just, we felt that it was a moral obligation to do that which we had committed to, and I know we felt—the whole association, all the employees—really were very proud of the fact that that was the policy.

04-01:05:05
Meeker: What was the context for this particular—what did you call it?—a disintermediary process?

04-01:05:13
Sandler: You mean, what happened?

04-01:05:14
Meeker: Yes.

04-01:05:15
Sandler: I don't remember anymore, to tell you the truth. [Probably an inflationary spiral.] I just remember it was an enormous shock. We had our five-year plan, and there was nothing like that in that plan.

Now, the second thing that happened, the other unexpected externality, is in 1959. There was a piece of legislation enacted called the Spence Act, and the Spence Act in essence prohibited savings and loan holding companies from making acquisitions of other institutions. And that was repealed in 1968. So we had no acquisitions in our five-year plan, and all of a sudden in 1968—which would have been the end of the five-year plan, actually—we had the opportunity to make acquisitions, which we proceeded to do quite aggressively.

04-01:06:08
Meeker: So all of the expansion that you had done between '63 and '68 was—

04-01:06:13
Sandler: Just branching. Applying for a new branch. Well, no—actually, your outline kind of shows that. You had it right. I thought you figured it out!

04-01:06:22
Meeker: No, I didn't figure it out, but— [laughs]

04-01:06:23
Sandler: You've confessed! This is true confessions now!

04-01:06:26
Meeker: But this is interesting. Okay. Well, talk about that, then, because this provides both a challenge as well as an opportunity, in the sense that now the opportunity is there. The challenge is, can you meet it?

04-01:06:39
Sandler: Yes. So you want me to discuss acquisitions?

04-01:06:41
Meeker: Please do, yeah. That's definitely on the agenda. The implementation of this change, your ability to move on it, does it happen after—

04-01:07:14
Sandler: After we went public, yeah. So it was almost contemporaneous. There may have been X months on either side of it, but our going public was much more important in view of that, because now we could make an acquisition. We were not big enough or had the liquidity to make acquisitions through cash and we would have had too big a hit to our net worth. But we could do it through buying companies with our stock, and that's what we did in the first batch of acquisitions.

04-01:07:53
Meeker: So then, really, the next step would be talk about the IPO, I think.

04-01:07:57
Sandler: Okay. Yeah, probably that would be best.

Well, it was interesting. There is one thing that's kind of interesting in view of a story I told you about my meeting with Marion on the beach, and there were—the "red herring" story. So actually, after we issued our preliminary prospectus, which was a red herring—it had the red along the side, meaning it was preliminary—we got a call from the largest savings and loan, which was Home Savings, owned by the Ahmanson family. And they had read the preliminary prospectus, and they wanted to buy us for $12 million. Which would have meant that in a very short period of time, we would have made $X million. Marion and I were totally opposed to it. We never thought that we wanted to do that for a minute. We were there for the long term. But we were struck by that offer. We did meet with him, and then we told them no.

04-01:09:06
Meeker: Did either of you discuss the other scenario? Like what you would do with your lives, or what your lives would be like if you—

04-01:00:12
Sandler: No. We never considered for a second. We were bemused by it, and I was particularly bemused because it was based on a red herring, which had that previous meaning in my life.

So it was a small offering, and the bulk of the proceeds—about $1.4 million of it—went to pay down the loan to the First Western Bank.

Let's go back, however, to the disintermediation. I talked about the absence of layoffs—or the minimization of layoffs—and we talked about our loan commitments, but something else took place. And that is our loan to the First Western Bank had been a three-year loan. The loan had been extended to Marion by their senior officer in San Francisco, Kirk Jeffrey. And he had left the bank—he had retired—and somebody by the name of Don Humm was there. And Don Humm was, I would say, an arrogant, miserable son of a bitch. And he was threatening us with foreclosure. Now, what we have is this totally unexpected, unpredicted—by anyone—situation in which money had dried up, and nobody could pay back their loans. They had lots of loans in the financial community, and they had lots of loans in the farming community; those were the ones most affected by disintermediation, and none of them could pay back loans.

And we were in his office, and he was threatening us with foreclosure. We were making our interest payments; he wouldn't extend the loan. And I was trying to argue with him why that as an unwise decision, and Marion was fantastic. She said, "Mr. Humm, you are not going to foreclose on us, and you know you are not going to foreclose on us. And you are acting inappropriately, without dignity." And he shut up. And he never foreclosed.

Now, there is an interesting ending to this story. In 1967, disintermediation was over; and there was a return to normalcy. He lost every account, because he had pulled the same thing with everybody else. He was trying to force them to do something, and take advantage of the situation. Every other bank was extending their loans. No other bank put anybody in trouble during the disintermediation year, except for Humm. And he lost every account, farming and financial, and lost his job in addition. So it was a real happy ending from the fact that the bad guy acting inappropriately got what was due to him. But it was Marion standing up to him and telling him, "Don't pull your garbage with me. You're a phony and you know it, and we know it."

04-01:12:31
Meeker: Was he trying to extract certain concessions from you?

04-01:12:33
Sandler: He never got to that point, because she cut him right off. But it was clear that was the game.

04-01:12:38
Meeker: It's almost a scheme.

04-01:12:40
Sandler: It's terrible. It was awful—exactly what you shouldn't be doing. He was fired as a result of it when it was all over.

04-01:12:49
Meeker: But what bad luck as well: a three-year loan coming due just at the time that this—

04-01:12:54
Sandler: So what we did is we paid that down from whatever—the amount of the loan was reduced by $1.4 million, and it was paid off in the next few years. And we got that call from Claire Sutherland; that's why that's important. And we called Claire and said yeah, we'd like to move over. And from that point on, the B of A was our primary funder.

04-01:13:21
Meeker: Was seeking an initial public offering or going public part of the original five-year plan?

04-01:13:27
Sandler: Yes. Yes.

04-01:13:29
Meeker: Okay. And the goal of that at that time—

04-01:13:31
Sandler: Was to pay off the loan.

04-01:13:32
Meeker: Was to pay off the loan. It wasn't necessarily to expand by purchasing, because that was not on the table at the time.

04-01:13:40
Sandler: "Expand by" what?

04-01:13:41
Meeker: Purchasing other thrifts.

04-01:13:44
Sandler: Well, you have to have the earnings to do that. Probably, if we had continued to extend the loan, we might have been able to do it. But Marion always wanted to be publicly held. I mean, she came out of that world, and it was a source of great pleasure.

I do have a kind of a fun story about the IPO. Our managing underwriters were Dominick & Dominick, the firm she had worked at for five-and-a-half years, and Schwabacher & Company—I had also mentioned them. And what you do when you have your IPO is you do what's called a "road show," and that is, you go visit the companies who are your underwriters, and you meet with their salespeople; they call a meeting of all the salespeople.

And so we were at Dominick & Dominick, and of course, Bayard Dominick, who was the president, I mean, he was literally preening because here was his little princess who, they had hired the first woman, and she had been there for such a long time, and they loved her, and now she comes back a success, heading a company that's going public. And it was just fascinating to watch him. And he is there, and all of the salespeople enter the room, and of course, a lot of people she knows, and they are all saying hello. And then he was ready for us to talk, and he turns to us and he says, "Who is going to talk first?" And I said, "I'm going to talk first today." And he says, "It gives me great pleasure, folks from Golden West, and the first person to speak is Mr. Herbert Osher."

04-01:15:32
Both: [laughter]

04-01:15:36
Sandler: It said it all! It put everything in its right place. It put Marion where she belonged, and it put me where I belonged.

04-01:15:44
Meeker: That's great. I mean, that's so telling.

04-01:15:47
Sandler: He did this big deal getting ready with the introduction about both of us, but then when it turned to the actual introduction, it came out. [laughs]

04-01:15:57
Meeker: I'm guessing this was not on purpose?

04-01:15:58
Sandler: No. Oh, no. No. I mean, it was a roar of laughter, and he realized, oh my goodness!

04-01:16:04
Meeker: And what was your comeback to that? Did you—

04-01:16:09
Sandler: I just laughed. It was very funny. And probably right.

04-01:16:14
Both: [laughter]

04-01:16:16
Meeker: That's a great story. But tell me about this process. So it sounds to me like the main goal for going public was, one, because you could do it, and then two, you wanted to pay off the loan.

04-01:16:27
Sandler: I wanted to reduce the debt. Both of us wanted to reduce the debt.

04-01:16:32
Meeker: And tell me about the organization of it. What percentage of the firm were you seeking to give up ownership of, and—

04-01:16:40
Sandler: It's very small. It was minimal. Still owned a very high percentage of the company.

I do want to tell a story that occurs to me as I am looking that up. Our attorneys were a well-known San Francisco firm, Orrick, Herrington & Sutcliffe. And one of their partners was our director. Our lawyer was a fellow named Bill McKee, who was the senior tax partner in the firm. And Marion felt very strongly she didn't want the SEC lawyers to be working on it. She thought that she and Bill could write the prospectus. And so that prospectus was written in the office of Bill McKee, and the firm was not at all happy about it.

Walter Olson was their senior SEC person, he was a very nice guy, but they were so nervous about the fact that it wasn't being done by the SEC specialist. And I remember I would be there, but Marion and Bill would be doing all the writing, and Walter would walk in the office regularly. He said, "Oh, is there anything I can do? Do you have any questions or anything?" And they did have questions from time to time. But this was a prospectus that was written by a former security analyst and a tax lawyer. I'm looking back on it, and it's so simple that it's hard to understand what they were excited about.

So, let's see. The proceeds were about $1.7 million, I think. A million-four went to First Western Bank. We paid off some other debt. And let's see. In terms of stock—so, let's see. I forgot that; it's someplace here [looking through documents]. So, before the transaction was entered into, Marion and I together owned 37.5 percent of the stock, 40.6 percent was owned by Barney, and the rest were owned by the other brothers and Sam Cohen, the only non-family member. After the acquisition, pro forma, Marion and I owned 33.3 percent, and Barney owned 36.2 percent. It's really minimal impact on our ownership position. And every time we made an acquisition, the same thing happened: we made an acquisition, we issued stock, but we had a larger company with more earnings.

04-01:19:40
Meeker: So that's how you were able to maintain supermajority ownership stake in the firm.

04-01:19:45
Sandler: Not really a supermajority, but always enough to retain control.

04-01:19:47
Meeker: I'm wondering if you can just kind of go back to that point in time in 1968 when you do an initial public offering. I mean, I was driving in today listening to Bloomberg and Snapchat goes public—

04-01:19:58
Sandler: Unbelievable.

04-01:19:58
Meeker: —and multi-billions of dollars for a—

04-01:20:01
Sandler: So, you want to know what goes through my mind right now?

04-01:20:03
Meeker: Yes.

04-01:20:04
Sandler: Snapchat has been in existence three years. My grandchildren are on it. They play with it; they show me their face with their tongue coming out, and all kinds of funny stuff—I don't know if you have ever seen anything on it. It's all these funny faces. They have, apparently, based on the IPO price, a value of around $24 billion. We acquire a company in 1963, run it for forty years, make loans to hundreds of thousands if not millions of borrowers, have the deposits of millions of borrowers, perform an extraordinary public service during that period of time, and when we sold, we sold at a value of about $25 billion. There is something crazy in this world. Are they really worth that because they are clever at this point? And how long will it last? That's what went through my mind today.

04-01:21:14
Meeker: So, then, go back to 1968, and can you tell me about what that day was like? You know, now it becomes like a huge media event. Was there any element of that?

04-01:21:27
Sandler: Oh, yeah. There was a bunch of stories in the local papers about us. We never had an investor relations person work for us, and we never had a PR person work for us. Never. If we were contacted, we would respond. If we weren't contacted, we didn't do anything.

You wanted to know was there any media event about it?

04-01:22:16
Meeker: Yes.

04-01:22:17
Sandler: Oh, nothing like with Snapchat. No, not at all. Just the local press. The thing I was going to say is we got, in those days, much more press than others because we were a couple—a married couple—running the company, one of whom was a woman. And that got us more press than most. But we never went out and pushed for press.

04-01:22:49
Meeker: Did you experience this or think of this in any way as a personal transformation? And I'm thinking, again, about today, there are probably several dozen new millionaires as a result of Snapchat, whose lives might be transformed in some way by this. And undoubtedly, they are thinking about it tonight, probably popping bottles of champagne and—

04-01:23:13
Sandler: Right. No, no question. Not at that point, because we were a much smaller company with a much smaller valuation associated with it. But it is a source of great pride that, in fact, we did create two kinds of benefits to large numbers of people. X number of people did become millionaires through stock options, or purchasing the stock, but largely through stock options.

But we went much further than most companies. We extended stock options pretty low down in our company. We've had people in the mailroom who received stock options. It was a point of view that people who made unusual, good contributions to the success of the company, no matter where they were, should share. And I cannot tell you the number of letters I have received from people who tell me that they bought their home, put their children through college because of what took place with the success of the company and the sharing of that success with large numbers of people. I'm not talking about one or two letters. I'm talking about hundreds and hundreds of letters. That's fantastic for us. That was a great, great turn-on.

04-01:24:47
Meeker: What about for you and Marion personally?

04-01:24:49
Sandler: We didn't think of that. We thought of the fact we are paying the First Western Bank down, those sons of bitches! We didn't. There was nothing. I think for Marion, it was very important, because that was her profession. For me, it was exciting because I had never done anything like that before. But it was nothing. I get a much bigger high out of some of the things we do philanthropically.

04-01:25:19
Meeker: Given that you and Marion, along with Marion's brother, Barney, are still owning a supermajority of the company in these days you are not going to immediately start to feel pressure from shareholders or board members—

04-01:25:37
Sandler: We never felt pressure, right to the end. Even when we had a much smaller percentage of the company. Most large companies are controlled by people who own less than 1 percent.

04-01:25:55
Meeker: But reporting quarterly profits and earnings, and—

04-01:26:00
Sandler: Oh, Marion loved that. Oh, she loved that.

04-01:26:03
Meeker: And that didn't add any stress or—

04-01:26:06
Sandler: No, no. Not stress. It was fun. In the beginning years, Marion always did it, and I would sit with her. In the later years, Russ Kettell, president of the holding company, our chief financial officer, and myself did most of the communication with the investment managers and other stockholders who sought to speak with us. You know, we expected that. That was Marion's life. This was normal. It was not a pressure.

One thing did take time. At the beginning, she wrote the annual report from beginning to end herself, for which, incidentally, I should add, won numerous prizes as the best annual report: most clear presentation of strategy and information; most transparent; et cetera, et cetera. In later years, she determined the approach, the strategic overview, and others did a good part of the writing, but she reviewed and edited everything. So during annual report season, she would be more busy than usual, because she would add that to whatever else she was doing.

04-01:27:41
Meeker: Well, you see on Wall Street today how important it is to maintain good and—to the standards of brokers—open communications, so that there is a

matter of trust. It's interesting that she comes from Wall Street, so she probably already understands that.

04-01:28:00
Sandler: Understood it better than anybody. We diverged from what was typical in several ways. We never had conference calls after we issued earnings. We never got it, and I still don't get it. We never forecasted earnings externally. It didn't used to be done. In the old days—in the sixties, seventies, and into the eighties—you were regarded as a stock pusher if you did things like that. But at some point there was a change, and that became the thing to do. We actually actively spoke against it, as something that was dangerous and should not be engaged in.

What we did, both in the annual report and in our presentations at conferences when we were asked to speak, is describe our strategy as clearly and transparently as we could, and the annual report would set that out clearly in more detail. And something that was fairly rare: we issued monthly numbers, in great detail. So people shouldn't have been surprised by anything, since every month, they could see exactly what was going on in our company, and match it against our strategy as we described it.

04-01:29:38
Meeker: But you didn't issue any guidance?

04-01:29:39
Sandler: Would not issue any guidance. And opposed to it. We obviously did lots of internal forecasts, but if you looked at your forecast in January and February—because we always redid it—and look at the end of the year, it's quite different, because externalities are critical, and all kinds of things can happen. So if you are right, you don't get any credit for it when you forecast, and if you are wrong, your credibility is destroyed.

But I had another point of view, which, incidentally, is the same point of view as [Warren] Buffett. Buffett does not forecast earnings; never has. And has also spoken against it. And that is, one of the reasons for forecasting earnings sometimes is to push the stock. But if you think about it long term, if you don't perform, your pushing the stock for a short period of time is worthless. And it makes you suspect, because why did you push the stock? Were you trying to achieve a certain purpose, for remuneration or for something else? So it stinks, and it's a bad mistake on the part of the companies that are public, those who do it. Just follow Buffett, who never will forecast earnings.

04-01:31:06
Meeker: Did this policy ever put you at odds with the broker community?

04-01:31:13
Sandler: No. They asked questions. After you say no on this, they will ask you a question, which is a very cute way of trying to get the same information. We just don't do it. And we laugh, and they stop. But our philosophy about

forecasting earnings was so well known that analysts and money managees who knew us wouldn't even bother to play the game with us. They would poke at our strategy and push us as to why. That's the right kind of questions, is how valid is your strategy? Are you taking into account all of the factors and considerations with which you should be dealing?

04-01:31:55
Meeker: Once you become a publicly-traded company, even though it's just a small percentage of ownership, how does that impact your relationship with your business partners, whether it's B of A or other S&Ls who are—

04-01:32:08
Sandler: No effect. It's not a big deal, other than paying down the loan. I love paying down the loan. And having paper, as it turned out with the repeal of the Spence Act, it afforded us a commodity that we could use to acquire other institutions.

04-01:32:30
Meeker: The commodity being—

04-01:32:31
Sandler: Our stock.

04-01:32:32
Meeker: Yeah. So you could float more of it, and—

04-01:32:34
Sandler: And after that Spence Act was repealed, everybody—particularly the large ones—were seeking to acquire as many companies as they could. So when you are visiting smaller companies, it was like a revolving door. You were in, but Great Western probably was there five minutes before you, or a half-hour, and Home Savings was coming in, Financial Federation, Home Federal of San Diego, Great American of San Diego, Coast Savings—everybody was making acquisitions, and it was a mob scene.

One interesting aspect of that is our policy was, "don't lie"—it'll catch up with you. Not all the others followed that. And so one thing that was very clever on the part of some—at least, they thought it was clever—is when you are acquiring a smaller company, one of the things they are going to miss is their meetings with the board of directors, and the fact that they have a certain status in the community, or whatever is associated with that. And some of the bigger institutions would promise the directors that after they were acquired, they would maintain that board. And so we would always be asked, will we retain their board of directors? And our answer was no. Part of the benefit here is that there are certain synergies, economic synergies, and that's part of what makes you interesting to us. It's your assets, your branch locations, and these synergies. And I will tell you that anybody who tells you that they are going to keep you as a board of directors is lying to you.

And in fact, we watched it happen. We lost X number of deals with companies that were acquired by others, in some cases based on that promise, in some cases based on their size—they were larger than we were, or more prominent. But the ones who did it, within a year or two at most, every board of directors was dissolved. They kept them for a year, and then dissolved it because it was just a pain and a cost, and they never had any intention of keeping it. And that was always a matter of satisfaction every time I saw an announcement in the paper to those guys who were so naïve as to believe the lies that were being told to them. But it did hurt us.

04-01:35:15

Meeker: Let's talk about the acquisitions and the planning toward that, because as you mentioned, the law changes, and all of a sudden, this becomes a possibility. Did you play any active role in lobbying or bringing about that change?

04-01:35:28

Sandler: No, no. First of all, we were a nobody. We were nothing. We were a tiny little institution.

04-01:35:35

Meeker: Well, then, when the change does happen, what is the process by which you—

04-01:35:40

Sandler: Well, we suddenly realized we were now authorized to make acquisitions, so we go back to what we did at the time prior to when we purchased Golden West. We went back to look, particularly—they are small institutions, so most of them were non-public. But remember, I described to you the fact that the savings and loan commissioner has all of their financial material at their headquarter office, and we would spend a lot of time there reviewing which companies were a fit to us. And obviously, we didn't win everything, but companies such as Redwood Empire, Modesto, Santa Cruz Savings, Napa Savings, and some others were fits for us, both strategic branch purposes and for whatever other reasons, they were of interest. And then we would approach them.

And as I told you, there was a revolving door, because these other institutions—most of whom were much larger than us—were seeking to make acquisitions. I think we were pretty good at making the case why we were a good institution. I would analyze our company for them, because most of them didn't know how to do that, and show them what our strength were in terms of our quality of loans, our quality of assets, our general and administrative expenses, and that which would suggest that we are likely to be successful both in the short and long term.

There was one case I remember that had a lot of interesting aspects to it. Redwood Empire was a target of ours, but there was a non-savings and loan institution that was seeking to acquire them as well. So there were, let's say, five, six, seven potential acquirers approaches them, and they seemed to be

most receptive to the non-savings and loan seeking to acquire them. And they told us who it was. And that was really interesting, because what we did—they were a publicly-held company, this potential acquirer. We analyzed them, and when we analyzed them, we discovered that they were a weak company, in trouble, and it was clear what their motivation for the acquisition was that they were seeking to have the capital of the company they were acquiring, and hence their apparent strength. It was totally clear.

So Marion—largely Marion, but with my help—wrote something like a twenty- or thirty- or forty-page—it was really long—analysis of their company. And after they read that analysis, Redwood Empire killed the deal, and they made the deal with us, because we were right on the money. We had it exactly right. I think the other company ultimately went under. It was a piece of Marion's analytic skills, and then her ability to describe that that killed the deal that would have hurt them.

Redwood Empire was also a company that has an unusual story, which was a learning event for me. Redwood Empire had five major stockholders, plus some other stockholders in the community, a managing officer by the name of Roger Pearson, and they had two offices: one in Petaluma, and one in Santa Rosa. And so Roger Pearson came to work for us. And the salary he was receiving before was as a managing officer, and now he was no longer a managing officer. So we tried to find a job for him which would justify the remuneration that he was being paid. And he was not working out. He was kind of a charming guy—very smooth, very nice—lazy, and not terribly smart.

And I was concerned about terminating him, because he was clearly a very close friend of the five major stockholders, all of whom lived in the vicinity of the Petaluma office, and who were accustomed to visiting the office regularly. And I kept being worried about the effect on employee morale if the stockholders got angry—the former stockholders got angry, now our stockholders. And Marion said, "That's wrong. You have given him tries at several positions. He has failed at each one. He has no place here. You are keeping him on for the wrong reasons. If they are going to cause problems in the branches, we'll deal with that. I doubt that they will, but we'll deal with that. But it's a bad decision for the wrong reason." And she was aided and abetted on this attack on me by Bill McKee, who totally agreed with her, McKee was our attorney and closest friend, and a member of the board of directors. He used to needle me mercilessly. And ultimately, I fired Roger.

And it was really quite interesting, because what I found out later is that those five stockholders, who held a fair amount of our stock, were about to sell the Golden West stock they had acquired. Because one of the reasons they sold is that Roger was a close friends of theirs, and they didn't want to have to fire him. And they understood that he was not capable, and they were wondering what was taking us so long to get rid of him. They were concerned that the

high opinion they had was wrong, and they were contemplating the sale of the stock. And so when that happened, they were relieved, and they felt better.

And the other funny part about it is that Roger found a job working for the Federal Home Loan Bank as a customer relations person, which is exactly the perfect job for Roger, because it meant meeting and greeting the various member of the bank, and hosting them at dinners, and so forth, and things of that kind. So he found the perfect job for a guy who is lazy and likes good food. So I began to see, you know, I've got a lot to learn here about that. And Marion was totally right.

04-01:42:33
Meeker: These purchases of other S&Ls, they were not cash transactions? They were stock trades?

04-01:42:38
Sandler: No, no. We did a few cash transactions much later, but in the beginning, I believe they were all stock transactions. Our criteria in what we paid for a company was A) our analysis of the company had to show we liked their branch locations, we liked their personnel, we liked the quality of their assets, and the quality of their liabilities. So we could build from there. But we would not pay a price which caused dilution in earnings per share. So every single transaction we ever entered into through our entire history resulted in inverse dilution. That meant that on the day of the transaction, our earnings that we would report would be higher per share than it would have been if we hadn't acquired them.

04-01:43:57
Meeker: How is that even done?

04-01:43:59
Sandler: The price you pay. It's all a question of arithmetic. So almost everybody always would bid up, and they would pay something which would dilute their earnings per share for a couple of years, but they felt they would get the benefit later because as they improve the efficiency—because most of these smaller companies have a much higher general and administrative expense ratio, and you can reduce that. Our philosophy concerning what we would pay. We said as of the date of the acquisition, before we do anything to grow the company or to improve the efficiency of the company, we will not be diluted. We must get inverse dilution. So our deals were pretty terrific.

04-01:44:44
Meeker: And so the motivation for these smaller thrifts to sell to Golden West—

04-01:44:49
Sandler: They made a lot of money by selling to us. Anybody who took a deal from us and kept the stock became extremely wealthy.

04-01:44:59
Meeker: Right. I mean, that was part of it. It wasn't simply the payout if they sold the stock right away, but it was investing in the belief that Golden West was going to become much more valuable over time.

04-01:45:10
Sandler: Right. I mean, the fellow from Santa Cruz, there was a fellow named Emmett Rittenhouse who had a lot of Santa Cruz stock, and was a key decider about selling to us. He held that stock for a long time, and they are multi-multi-multi-millionaires.

04-01:45:27
Meeker: So, let's see. Modesto Savings and Loan, 1969; Redwood Empire, 1969—

04-01:45:31
Sandler: That was the one I was describing, is Redwood Empire; that's the one with Roger Pearson.

04-01:45:35
Meeker: And that was headquartered in Petaluma? Is that right?

04-01:45:36
Sandler: In Petaluma.

04-01:45:38
Meeker: Okay. Tamalpais?

04-01:45:40
Sandler: And that's a funny story, too. Yeah. It's just an interesting note, which is relevant particularly today. So the key person there was one of the leading insurance people in San Francisco at an insurance brokerage company. His name was N. John Anton. A very smooth, pretty sharp guy. And we acquired his company. He was in Corte Madera, and I forget the other place. But he really thought he was terrific, and he said, "Look, Herb: I know you are out making other acquisitions. I'd like to come with you when you meet with these people, because I can tell them that I am just like them, and describes the analysis I did which led me to select you. And I think because I come from a situation similar to theirs, that will help you close the transaction."

So I wasn't happy about it, but he was pushing, and he was on our board, so I said okay for a couple of the things. And what he did when he was out there, he would get so involved in the sale—I'm a low-profile salesperson; I try to lay out the facts, and, with them, see where they lead. He liked to sell. He's a salesperson. And almost every time, every meeting—and Marion used to get hysterical at this, internally, laughing and being annoyed—he would say, "I most sincerely want you to know"—and the minute he said that, he would tell a lie. Which was both wrong and unnecessary. Our policy was not to lie or exaggerate, but he would do this. And I knew it was coming, because he would always precede it by "most sincerely." And I knew, oh my god—what is he going to say now?

So when I hear Trump saying, "Believe me," it's like John Anton, "most sincerely": a lie is coming or has just been told. And it was 100 percent of the time in both cases. That's the first thing I thought of when he started to say, "Believe me." I said, "I wished Marion were here that we could talk about that."

04-01:48:16
Meeker: In some ways, it's good that she doesn't have to witness [laughs] this, though. Right. Grove-Portola?

04-01:48:23
Sandler: Yeah. That was a small institution in Pacific Grove. And I think they had an office in Santa Cruz, if I'm not mistaken. There was no particular story there.

04-01:48:36
Meeker: Napa, Santa Cruz?

04-01:48:38
Sandler: So Napa, do you remember I told you before we acquired Golden West that I met with this person, and when Marion and I walked out, we said, "Did he just ask us for a bribe?" We ultimately acquired his company.

04-01:48:54
Meeker: And were you not concerned about his behavior or—

04-01:48:57
Sandler: Well, I had no intention of keeping him. The reason was that the person who really owned the bulk of the stock wanted to sell, and he couldn't get in the way of it because it was going to be sold to one person or another. And so he really had nothing he could do.

04-01:49:14
Meeker: These are all, I believe, northern California institutions where you focused on—

04-01:49:18
Sandler: Yes, because at that time, I think we were still restricted to northern California. I don't remember the year in which we were able to go statewide. It had to have been before '74, because that's when we entered into a contract with TransWorld Financial, which had offices in southern California and in Colorado. So we actually, if I recall correctly, merged ourselves into TransWorld, technically, so that we could keep their Colorado operation, because you couldn't enter other states at that time. They were one of the three institutions that were grandfathered; that, for one reason or another, were in more than one state and they were grandfathered, in the sense that they could always do that. Many years later, we were all able to go national.

04-01:50:20
Meeker: Why don't we wrap up today by talking about the merger with TransWorld? Because I know that's a pretty big story. [side conversation deleted] And we

are really now getting into the material for which I think you have very clear and detailed memory, and that certainly helps the process along.

04-01:50:57
Sandler: I just remembered an old story. Do you remember I told you about the offices of Golden West, and how Spartan they were, and no air conditioning and the heating was terrible? In the summer, you would get out of there, my shirt would be totally wringing wet. And in winter, it was freezing.

04-01:51:16
Meeker: You were in the basement!

04-01:51:17
Sandler: I was in the basement. It was just awful. And Marion had the worse of the two offices, because every time somebody made a call, she would hear [imitates mechanical clicking noise] right behind her head. But some analyst came in, I think from Dean Witter, and he had to be escorted down the stairs into this dark area, and in this dark hallway, and walks in to where Marion's office was, where we were going to meet. And his opening line to us was, "I have heard of plain iron racks"—and I'll explain that in a minute—"but this is ridiculous." And "plain iron racks" was the advertising slogan of a company called Robert Hall, which sold very inexpensive clothing, because they didn't have anything fancy—they just had—you have seen them, I am sure—racks which are just a metal bar, and you can move them around? So they had no expenses for the showing of the clothes. And that was such a great line, and it really did indicate sort of the conditions under which we were living for those seven years.

You know something? Other than sweating in the summer, it never really bothered me, because we were having so much fun. But it was physically very, very uncomfortable.

04-01:52:33
Meeker: So you were in that original space for the first full seven years?

04-01:52:35
Sandler: For seven years. We didn't move out of there until our building on Twentieth and Broadway was built, which was sometime, I think, in '70 or '71.

04-01:52:45
Meeker: The reason you were in the basement was the first floor was—

04-01:52:48
Sandler: Well, the first floor was all savings, and then they had a small mezzanine, which had a big office, and which we ended up putting a lot of people in on different tables, and all the loan people were there. And the accounting people were in the basement, and we were in the basement. There were two to three people sharing desks by the time we moved.

Here is an interesting human story. We move into this beautiful, really well-designed, attractive, air-conditioned, lovely new building, and for the first time, we got complaints: it's too cold or too warm. When we were living in skid row, nobody said anything, because they were accustomed to that—but they had suddenly enhanced expectations, and until the air conditioning was made perfect, we got our first complaints.

04-01:53:45
Meeker: And that's the building that was built on Lake Merritt, right?

04-01:53:48
Sandler: No. That was the building before Lake Merritt. Yeah.

04-01:53:53
Meeker: But let's talk about the merger with TransWorld.

04-01:53:56
Sandler: I'm trying to remember what triggered that. We knew Lou Galen, the principal stockholder from the industry. And actually, something that's interesting I just remembered: we had actually triple-dated with him once. He and his wife, Marion and I, and Alan Greenspan and his then girlfriend—this is some time in the sixties or early seventies—

04-01:54:21
Meeker: So this was before Greenspan was dating Barbara Walters, or—

04-01:54:24
Sandler: Right, before all that. So I knew Alan before he was Alan. Which was interesting in later years, because he never forgot that, and both Marion and I at different times served on an advisory committee to the Fed, and he was always extremely warm to us.

He had a different relationship with me than with Marion. With me, he would needle the heck out of me, and tease me mercilessly, which gave him great pleasure. With Marion, he treated her, again, like a princess, and it was so interesting, because I once went to lunch after Marion was on the S&L Advisory Board, and everybody working at the Fed knew that she was Alan's close pet, friend. And so we were in their lunch room, meeting a friend who was on the staff, and somebody who knew her from the meetings, when she was coming in and about to sit down, rushed over to her to pull the chair out for her. It was totally unnecessary, but he saw the way she was being treated, and he was playing the game. Kind of funny. It was an interesting period.

So for whatever reason, we approached Lou Galen. And he indicated some interest, but he pulled back several times. But finally ended up going through it. But during the course of it, a number of things happened. He took us to dinner one night at a famous Los Angeles restaurant, Perino's, and he and his wife—his wife treated him like dirt. Sarcastic, continuous—anything he said, she treated as idiotic. It was one of these horrible scenes, *Virginia Wolf*-style.

My, god, let me get out of here! And that was horrible. And then something happened later, which I'll tell you about.

And then at one point, he was going to pull back—I can't remember the reason. He was very sensitive. He had very mixed feelings about the deal. And he got over that as well. And then he was having financial problems. I told him maybe we could help him arrange a bank loan. And at first, it was the B of A, and they turned him down. And ultimately, I persuaded the then-president of the B of A, I pointed out that this deal made whatever their loan was to him bulletproof; there was nothing to worry about. And he ultimately did that. Lou ended up as a very, very, very, very, very wealthy guy. He gave a gift to USC, which is where he went, for something like $30 million, for the Galen athletic facility. So if you ever go to a game down there, you are going to be in a place which was funded by Golden West stock. I had a big visit down there. A guy showed us through, and it had been bought with some of the proceeds of the Golden West stock.

It's interesting: at the first stockholder meeting after that deal was closed, he and two other people were going to join our board. His wife ran a candidate against him—his former wife; they were divorced by this time, or in the process of divorce—Walter Kissinger, the brother of Henry Kissinger, incredibly, we didn't know that was going to happen until the meeting took place. He was placed in nomination at the meeting. Of course, we had all the votes from the proxies, but she really just wanted to give it to him.

What's interesting is they were divorced, he remarried, and he married a woman who thought everything he said was the most brilliant utterance of all time. So he went really from a situation of pure horror to one in which his ego was massaged twenty-four/seven. She was spectacular. I still talk to her regularly. He passed away some years ago.

04-01:59:25

Meeker: What was the business case for taking this on, given that it was such a big purchase compared to the previous mergers?

04-01:59:32

Sandler: Well, I want to tell you one other story. They had a very high general and administrative expense ratio. And here are things we didn't anticipate. So we changed our name to "World" rather than to "Golden West Savings." So our operating subsidiary, instead of being "Golden West Savings," is now "World Savings". Our publicly-held entity, instead of being "TransWorld" in their case, took our name: "Golden West Financial." It turned out, first of all, it was at the time of Arab problems with gasoline prices. A lot of people started to pull money out because they thought we were taken over by the Arabs in northern California. Because the name "World" was not known, and somehow, they associated that with the Arabs. So we had to solve that issue.

04-02:00:23
Meeker: That's strange. Do you have any idea where that came from?

04-02:00:25
Sandler: Weird. We could not figure it out.

Another thing was that our policy is that the customer is king, both savings customers and loan customers. They treated their loan customers like dirt. Lousy service. And a lot of people were concerned about us. So we had to make sure they understood who was controlling the loan service, and what they should expect. Those were two totally unexpected problems.

One more thing. So at first, remember, they have their people, we have our people; the merger process of bringing people together started. So Marion—I can't remember whether this was before or after the merger—wants to get a piece of information about marketing. And she knows who the person is at World who has the answer, and she calls that person. I get a call from Lou Galen that they are very upset that Marion called directly down the line. The way it should be done is I should call Lou, Lou will call Hal Galitz, their president, Hal Galitz will call Wally Mullen, their head of marketing, who will ask the individual involved what the answer is, who will then tell Wally, who will then tell Hal, who will then tell Lou, who will then tell me, and I will tell Marion.

That's a true story. That's an absolutely, 100 percent accurate story. And we always wondered why their G&A was so high. I mean, it was off the page—they were like, twice what ours was. And that was a big benefit of the transaction. Other benefits were entering into Colorado, another place where we could grow the operation fast and enormously, with a strong market, and enter into the southern California market. Those were tremendously exciting to us.

And it turned out to be right. It was a fantastic deal. We had inverse dilution from day one, and we grew the entity extremely rapidly and safely. It was a very profitable transaction. And put us in the big time.

04-02:02:50
Meeker: And I understand your assets nearly doubled?

04-02:02:52
Sandler: Yeah. I think one of us was about $1 billion. I think we were $1 billion, and they were $750 million or $800 million. By the time you go through everything, it's a doubling. It was very exciting.

04-02:03:04
Meeker: Why did you give up the name "Golden West" for the branches?

04-02:03:09
Sandler: You won't believe me, but I'll tell you. We went through all the considerations, but [laughs] the signing of branches is very important. Most jurisdictions have a restriction on what the square footage of a sign can be relative to the size of the frontage on the office. "World" has how many letters?

04-02:03:37
Meeker: Five.

04-02:03:38
Sandler: And how many does "Golden West" have?

04-02:03:40
Meeker: Double that.

04-02:03:41
Sandler: Plus a space between "Golden" and "West." So we could do a much bigger sign with "World Savings" than we could with Golden West— At that time, we didn't know they had a lousy reputation for service, and we didn't know about this crazy issue about being taken over by the Arabs. But that was really ultimately the reason. It wasn't like he said, "It's got to be world." It was, that's a better name for us. First of all, "Golden West" is fine, but we planned to go national, and "World" was a better name than "Golden West." And two, our signs could be probably two-thirds larger. So instead of, let's say, a twelve-inch or a thirteen-inch sign, I might be able to have an eighteen- or a twenty-inch sign. Critically important. I used to fight on signs all the time, and all of a sudden, now I have a shorter name; I can do a much larger sign.

04-02:04:38
Meeker: You know, of course, we are interested in talking about the successes, but I'm also interested in these challenges. And the idea that you buy this S&L that turns out to not have the kind of reputation that Golden West already had proven to be a challenge. Can you describe the process by which you learned that, and did it become a learning moment for you, or—

04-02:05:04
Sandler: You know, all of a sudden, the complaint letters start to come in to us, and we see what the story is. And you investigate it, and you find out that with the realtors, they have a lousy reputation for service, and they treated people like dirt. And we never did that. It's opposite to our whole philosophy of business. They just felt that there are so many loan customers out there looking for loans that who gave a damn whether Martin Meeker came back to us with his next loan or not? Well, we gave a damn! You get X percent of your business from repeat businesses or references. That's the most important source of business.

04-02:05:38
Meeker: So how, then, did World Savings—

04-02:05:40
Sandler: We went on a whole campaign. Visits to the realtors. Had meetings. Brought groups of people in and explained how we did business, who to call. It was A, B, Cs kind of stuff once you understand the problem. Our due diligence should have picked up how bad—you know, we knew it wasn't our reputation; we didn't realize how bad it really was.

04-02:06:07
Meeker: Aside from this Arab question, was re-branding difficult?

04-02:06:16
Sandler: No. You are dealing now with something right in the middle of Marion's expertise. She thought through the issues. What are the issues? How do we do it? What are steps one, two, three, four? How do we announce it? How do we get the word out? How do you get people to feel good about it? Et cetera, et cetera. I mean, it's A, B, C. That's just simple business stuff.

04-02:06:37
Meeker: What was the sort of public image or reputation that World Savings, now that you owned it, was supposed to have?

04-02:06:51
Sandler: That we wanted to have?

04-02:06:52
Meeker: Yeah.

04-02:06:53
Sandler: We wanted to be regarded as your first choice for loan business and for deposits. That was what we were interested in. We weren't interested in your checking accounts at that time. We weren't interested in the transaction business. Our favorite customer would be somebody who brings in $40,000 or $50,000, leaves it there in a CD, comes in once or twice a year to renew it and to add to it. Don't want to see you in the branch if we don't have to.

04-02:06:22
Meeker: [laughs] Okay. Well, why don't we stop there for today?

04-02:07:26
Sandler: Okay, sure.

Interview 5: March 30, 2017

05-00:00:00

Meeker: Today is March 30, 2017. This is Martin Meeker interviewing Herb Sandler. This is interview session number five, and we are again at the offices of the Sandler Foundation in San Francisco.

Let's get started, turning the clock back just a little bit. And we have been talking offline about a particularly important deal that happened when Marion was still at Oppenheimer, dealing with Lytton Financial. Lytton Financial, rather. And I, to be honest, don't know a whole lot about this, so I am just going to kind of hand it over to you, and ask you to tell me the story and why it's significant.

05-00:01:01

Sandler: Well, first of all, Lytton Financial—L-Y-T-T-O-N—was the organization run by Bart Lytton, whose original name I believe was Bernard Kaplan.

05-00:01:19

Meeker: Could I ask you to pause there? So what's the story behind that? Going into finance, did he just want to have a more anglicized name, or—?

05-00:01:27

Sandler: I assume it's that. But this is actually one of these people who was bigger than life. So let me get the technical part over with, and then tell you a little bit about Lytton. And it's actually unbelievably timely that I tell you this story today.

He was a bigger than life character—a big, husky guy. Had been a writer for *Gang Busters*. I don't know if that's before your time; a very popular radio program. PR person. And I believe he ended up getting a small share in a financial institution because of unpaid fees, but I'm not certain that's a correct recollection. He was very active in politics; very articulate, witty, charming, loud, aggressive. And he was running what was a very aggressive savings and loan institution, which was for a long time very successful.

He encountered Marion in her capacity as a security analyst, and thought that she was fantastic. And there came a time when they were attempting to raise money for the corporation, and they approached Marion—and Oppenheimer and Company, for whom Marion then worked—to arrange the financing. And it was the financing that was for what's called "straight preferred stock"—an obligation of the corporation to pay back a certain amount of dollars that were paid a fixed dividend regularly—and "convertible preferred," which is a form of preferred which can be converted into common stock at certain prices. A very unique deal. I don't think one had ever been done, and I know none had ever been done in the savings and loan business.

And Marion, in fact, put together this deal. Her main investor was IDS—Investors Diversified Services—a major money management company in Minneapolis, with somebody named Ed Scarf, who was the key person. Ed Scarf will appear in our story a little later. It's an amazing deal—extremely successful. Oppenheimer was—just thrilled and stunned, and because it was the most important deal they had ever made.

But the really big story is Lytton. Lytton was very much Trump-like in terms of big personality, with some major differences. He was extremely smart, personally very charming and witty, and an enormous amount of warmth. His warmth just suffused you. On the other hand, he was very mischievous. Marion used to call him "Peck's Bad Boy," and that actually ended up doing him in years later.

05-00:04:43
Meeker: You said "Peck's?"

05-00:04:44
Sandler: "Peck's." You never hear the expression "Peck's Bad Boy?" That's back in literature. There was somebody named Peck who was a bad boy. He always does things that get himself into trouble. I can't remember. I mean, it's so many—far back in my life. But it was at one time an expression. I'm fascinated. You are just like the youngsters I meet now: "Who was Frank Sinatra?" I mean, Peck's Bad Boy was known to everybody.

05-00:05:07
Meeker: [laughs] Okay. I know who Sinatra is.

05-00:05:08
Sandler: Martin, you're younger than I thought. That's wonderful.

So, but I'll give you some stories about Lytton, and you'll get the sense of him—and the similarities to Trump are amazing. There was a restaurant—a well-known restaurant, the name of which I forget—that was across the street—catty-corner across the street—from the Fairmont Hotel. He was taking Marion and me and another couple to dinner. He was staying at the Fairmont. When we came outside the front door of the Fairmont, I started to walk over. Remember, it's just across the street. He tried to say, "No! Get in the car!" He had a stretch limousine with a chauffeur. I refused to do it, but everybody else got into the car. They drove to the restaurant. They had to go up Mason Street, up Sacramento, down Taylor, down California. I was there waiting for him. The point was, he had to make an appearance. And it's kind of stunning. He did the same thing to us when he took us to dinner at the Pavilion in New York. We were just a block away, and he insisted on the car and getting into all the traffic, because he had to make an appearance.

When we were at the place, the sommelier, who was a very gentle, shy person, came over, and he was ordering their Château Lafite Rothschild. And he was

saying he—in a very loud, booming voice, which made the rest of us want to descend into the earth—"I have been at the home of the Rothschilds. I have been at Maxim's in Paris. I have been at Pavilion. No place has anybody charged as you do for this bottle of Château—!" Everybody in the restaurant could hear that.

You get the sense of what he was. When he traveled, he flew first class; he had his butler in coach. His butler would come up to serve him during mealtime. Marion and I went to visit him at his office on Sunset Boulevard. We got there a little late. His secretary said, "Mr. Lytton is across the street"—across Sunset Boulevard, at—I think the name was Frascotti's—having lunch, and she said, "You should go over there." And we said, "Okay," and we started to leave. She said, "No, no! You have to take the limousine." I said, "What are you talking about?" And her name was Lillian, which I remember. And we said, "No. We are going to walk." And she said, "Mr. and Mrs. Sandler, I'll be fired if you walk across the street. You've got to get in the car." You get a feel for it.

We were with him in New York at a hotel where he was staying, and his lawyer was calling him. They had just passed a change to the tax law affecting savings and loans. He had his attorney read him the statute. As the statute was being read to him, he started to figure out how he could get around everything in it: oh, when they say this, then I can do this, this, and this, and yet avoid that. It was a tour de force performance, because while he was hearing the words read, he was immediately seeing how he could avoid the negatives while taking advantage of the positives. And I think I already told the story before, at our San Francisco hearing, in which he referred to the attorney who had improperly given something we had given him privately to a competitor, another client of his, when he came up with that line at the moment: "How many clients could dance on the head of an Angel?", the attorney's name being "Angel."

So this was an amazing series of experiences with this bigger than life personality. His life ended very sadly because of a stunt he pulled. Investors Diversified Services, which owned an enormous amount of his debt. Lytton was giving IDS a hard time about providing the financial data required by their agreement. And finally, somebody from IDS was coming there to complain, and he was reading the riot act to him. And Lytton was needling him. And the fellow then ended up doing something he shouldn't have done: he got so angry at this illegal refusal to do that which he was contractually obligated to do that he said, "You'll pay for this. You are going to do something wrong, and we are going to squeeze you, and you are going to—we are just going to ruin you." Lytton was taping it. And he sent the tape to the guy's boss, and of course, IDS could not make a move at that stage. But they were furious. And when some of Lytton's loans started to go bad because he was a high-risk operator, they wouldn't give him the time of day, and they took him down. So there is a story.

05-00:10:38
Meeker: Lytton Financial, this was an S&L?

05-00:10:41
Sandler: It was a large S&L.

There's one other amusing thing. There was a much larger company called "Litton." It was "Litton Industries," L-I-T-T-O-N. And he liked to needle people who would misspell his name. And so he would get a letter from a customer that would say, "Dear Mr. Litton," L-I-T-T-O-N. In his response, he would invert every letter which was an "I" to a "Y" and every "Y" to an "I." So for example, in "Very truly yours," it would be "V-E-R-I T-R-U-L-I I-O-U-R-S" throughout the letter. [laughs] You get the picture.

05-00:11:25
Meeker: I do. Wait—did you learn much about his background, about how this sort of—where this bluster came from?

05-00:11:31
Sandler: I think he came from Pennsylvania if I am not mistaken. I don't remember. There is one other thing I can say kind of just before the end, in which at one point, he was in town, and Marion was dropped off; I was at another meeting, and she went to see him. And I was coming by, and she was running out of the place. He had made a pass at her, which really shocked her. She was stunned by that.

05-00:12:03
Meeker: You know, this is maybe kind of a good segue to talk a little bit about this Sacramento architect that you had mentioned to me on the phone, with the larger question being, you know, you have talked about the ethics that you bring into your business, fairness, the values that were really important.

05-00:12:35
Sandler: That was critical to us.

05-00:12:36
Meeker: That was critical to you. Yet, you are in business, and there are a lot of rapacious people out there; there are a lot of people who are motivated solely by greed. And you are going to have to do business with some of these people. Or maybe people who are good, but just full of bluster, and full of themselves, and you just have to—

05-00:12:58
Sandler: It permeates it.

05-00:12:59
Meeker: It permeates it. How did the two of you approach that part of business and those kinds of businesspeople?

05-00:13:11
Sandler: Well, maybe we should start by looking at who our personal friends were. We never had any close friends who came out of the business world—well, one close friend who came out of the business world: somebody named Jay Janis, who was a very honorable, decent person. We just didn't socialize with them, so that we saved that part of our lives. We had no personal interrelationship. Virtually all of our friends are academics, in the humanities, or scientists. And so if you go through our circle, this is the common thread.

I must say, Martin—and I don't want you to feel too big about yourself when I say this—this process has been fascinating to me, because I have made connections that I hadn't thought about before, or hadn't thought about for many years. Marion and I were at a savings and loan conference; I can't remember the year. The comptroller of the currency—I'm blanking on his name just now—was giving a speech. It was a financial conference, many of us were presenting, but now, at lunch where all of the attenders are at the same place: the comptroller of the currency, the big regulator, is making his comments. And he was talking about the Community Reinvestment Act.

And after that, Marion—the conference was over for the day, and Marion went shopping. And I was standing in the hallway, and with—in a group of people, mostly bankers, including at least three of the four largest banks in the country. And the CEO of one of them says, "Who the hell does he think he is to tell me who I can and cannot make loans to?" In other words, what he is really saying is "I red-line. I don't make loans to blacks. And I'm not going to, no matter what this little squirt from Washington thinks." And I remember I was stunned. And this has remained with me. I have told this story before because it's had such an impact on me. I went into a fit of depression. And Marion came back X hours later and I was lying down, not sleeping, in a dark room, trying to assimilate what I had experienced.

And there are horrible people like that, and what you do is stay away from them, and treat them the way they ought to be treated. But this was one of the three largest bankers in the state of California. Hard to believe. This isn't, like, a hundred years ago. This is in modern times. What a perspective on life. What a perspective on his job, what life was all about, and what business was all about. It doesn't have to be that way.

05-00:17:02
Meeker: Was there a point along the line where, as a result of encountering people like this that clearly troubled you that you felt it was appropriate to take a more public stance talking about ethical way of doing business?

05-00:17:26
Sandler: Well, this will probably come up later, when we get to the savings and loan debacle of the late seventies and eighties. But we were regularly reporting, in our innocence, to regulators and others what individual institutions were doing that were grossly improper, if not illegal. And one of the great shocks that we

had is that nobody listened to us. You would think if a respected institution came to a regulator and said XYZ institution is doing the following, which is clearly wrong, that they would do something about it.

And maybe we'll come back to this later, but one of the interesting things that we found out later is that the people who were doing these nefarious activities were saying, "Don't listen to these other people. They just can't handle the competition. They are afraid of us, and that's why they are badmouthing us." We had a terrific reputation among regulators for how we ran our business. Why would somebody listen to a rogue operator rather than listen to somebody whom they knew for ten or fifteen years for honesty and integrity? You know, things like that were a big shock. I actually discussed that at some length in my testimony in 1988 before the Senate banking committee.

05-00:19:20
Meeker: You know, since we are kind of talking about ethics, maybe it is appropriate time to tell me the story about the Sacramento architect.

05-00:19:28
Sandler: No, it wasn't a Sacramento architect. He was a developer.

05-00:19:29
Meeker: Oh, I'm sorry.

05-00:19:30
Sandler: Yeah. So we were there now for a few months in the summer of 1963? And one of our loan people brings somebody in from Sacramento with a—what appeared to be a very attractive development. And we had looked at the material that he submitted, and obviously, we had to do more due diligence, but in the conversation we had with him, we said, "Now, I don't see your financials here. I'd like to see your financials." And I remember he clearly said, "What? Do you know who I am? You are asking for my financials? Do you know my reputation? Do you know anything about me? And you dare to ask for my financials?" It took our breath away! We couldn't believe that he thought that stunt could possibly work. I mean, it's almost a dead giveaway, saying, "I am a crook! I intend to screw you! I'm going to get as much money from you as I can, and you are going to take a loss!"

Now, here is something occurred to me that it wouldn't have occurred to me, actually, except for this series of interviews. So I was thinking about the savings and loan debacle, and a large part of the losses that were made—not all, because there was all kinds of improper things, but a large part of the losses were that the savings and loan industry—an industry that had primarily, through its history, focused on making loans on single-family homes, single-family residential homes—a very simple business—for a period of time in the eighties were responsible for over 50 percent of all commercial real estate lending. That is a stunning number! And of course, they didn't know what they were doing.

Now, you may have heard the expression—because it did appear in the newspapers—about "see-through buildings?" That meant there were large vacancies in the office buildings. But we went and looked, and looked at something I had never seen before: a see-through shopping center. A shopping center with hundreds of thousands of square feet of space and not a single tenant, except for a savings and loan office of the institution that was the sucker that did the financing.

The point was, they were babes in the wood, sheep to be shorn, and these people just took them. That was this guy! They were versions—a more sophisticated version—of the slimy person Marion and I met in the summer of '63. They were all there in that period, and what they did, all of these loans were—they were able to pay interest for the first year or two because the loan amount included the amount for the construction, the profit, and the fees for a couple of years. So they didn't have to come up with any money, and as soon as they ran through the money that had been lent to them, the thing went into default and forfeiture. They were all the same thing. I think the guy's name was Van Shaw in '63, and Van Shaw became the model for what the savings and loan industry did in the eighties.

05-00:23:19
Meeker: So he was a developer?

05-00:23:20
Sandler: This is my recollection. I hope that there's not an innocent "Van Shaw," but it—that name sticks in my head.

05-00:23:28
Meeker: You know, I'm curious about the S&L loan guys who were being taken. We'll get into this more, I think, when we talk about the crisis, but were you seeing a lot of people who were—I mean, what were they? Were they naïve? Were they themselves greedy and willing to take—

05-00:23:49
Sandler: They fell into various categories. They were the innocents. They were just totally naïve. And they had no experience. Remember, this industry, going way back, was extremely heavily regulated. You could only make residential loans within fifty miles of your home office. You were told the most you could pay on deposits. You may do this; you may not do this; you may do this. They were like tabby cats, and then at some point, suddenly, with deregulation, they were thrust into the jungle, with all of these beasts, carnivorous beasts, waiting to feast on them. That's one group.

The other group are people who saw an opportunity to get access to Uncle Sam's name. Because a savings and loan had insurance of accounts. We always felt we had a responsibility because we have been given permission to say, "When you have a deposit with us, that's like Uncle Sam standing behind it. There is no risk." So a large number of developers said, "What an

opportunity. The way I operate now is I look at a project, I find the land, I find the project, and then I have to find financing, and they are going to ask me all kinds of questions." Not from savings and loans, but from more experienced lenders. "What if I own a savings and loan?" And the best example of that is Charlie Keating, who undoubtedly saw that opportunity and he wanted access to insured deposits, and he was a slime. And a crook. And a wheeler-dealer. Another one: Charlie Knapp, another type operator. These were the horror stories.

So you had the innocent, and you had the very sophisticated. But throughout, you had incompetent regulators who couldn't understand, even when we were telling them what was going on.

05-00:26:11
Meeker: Going back to dealing with people like Lytton, dealing with people like this developer in Sacramento, to what extent do you suppose it was the knowledge and skills that Marion gained while on Wall Street that maybe inoculated your business against these kinds of people? I mean, they could be very intimidating.

05-00:26:41
Sandler: I don't think there was even ever any close question about that. How do I go about this? See, we are going to talk about this later, but I'll just do something which will give you an analogy.

So people always would ask us, "How come your general and administrative cost as a percentage of your average assets is so much lower than the industry?" And our question in response, which was serious and then teasing: "Tell me what they are spending the money on. We don't understand what they are spending it on." And it's the same kind of situation here. They are just innocents.

Remember I told you earlier that when Marion started as a savings and loan analyst, she first was assigned to the—so-called "mature industries": papers; containers; non-ferrous metals? And then banks, and then ultimately savings and loan operators. And how struck she was about how naïve and simple the savings and loans operations were. They were like children. They had no more right to be running a financial institution than Susan when she was ten years old. They were children. And as long as all the rules were set as to what they could do, and they had no judgments to make, they couldn't get into trouble. But the minute deregulation took place, god help them.

You really have to understand that. And Marion used to talk about how they didn't understand what it meant to be publicly held, what the financial issues were. There was one group of people in the savings and loan business who were really quite smart, but financially, they were unbelievably unsophisticated. It was a company called Downey Savings. Two people who

were quite good friends of ours in the business: Jerry McQuarrie and Maurice McAlister. And they knew nothing about what it meant to be publicly held. I mean nothing. And they had an expertise at that time in what was called the "secondary market." And we were kind of innocent in that sense, because we always held everything in our own portfolio. But we wanted to understand, and we made a deal with them: teach us what you know in this field of your expertise, and then we'll answer all your questions about what it means to be a publically held company. And they were very good and we learned a lot. And then we explained the financial situation, and we went through our financials.

Well, we looked at their annual report at the end of that year, and what they had done is on the front page of most of the reports, there is a page which kind of summarizes the financial data for the year. And what they had done is Xeroxed our page and put their numbers in. This is an absolutely true story, because it was the same type print as ours, so you could tell. They didn't even redo the typing—they Xeroxed it, they told someone, "Take out their numbers, put in our numbers. Because they know what they're doing, we'll just do everything they do." They didn't know anything. Horrifying.

05-00:30:24
Meeker: Speaking of being a publicly-held company, you said that they didn't know what that meant. What would you have told them about what it meant to be a publicly-held company?

05-00:30:37
Sandler: Well, first of all, you had an obligation to your shareholders. You have an obligation to communicate, clearly, fully, transparently, honestly. You should make yourself available to meet with your shareholders on a regular basis, to take calls from them, and to help them understand your business and be able to communicate your strategy. Nothing particularly ingenious. These people really were incredible innocents. You have to get that concept of people who are in a business which is unbelievably tightly regulated, and suddenly it's unregulated, and you actually have to make judgments.

So when it was a regulated business, many of them were family owned and stayed in for generations. Remember the person we talked about in our acquisition of Napa Savings? His grandfather had started that. So he inherited being the managing officer of a financial institution. He knew no more about running a financial institution than the man in the moon.

05-00:31:52
Meeker: I wanted to ask you about the New York Stock Exchange listing. You became a publicly-held company in nineteen-sixty-eight.

05-00:32:04
Sandler: Seventy-one, we were listed on the New York Stock Exchange. It was hard to forget, because when you are listed, you go to the exchange, you are greeted by the people; you are there at the opening, at the first trade of the stock. And

when we approached and we came in, they are always ready for you. And they greeted us by saying, "Well, look! Here are the folks from Great Western Financial." Which was another, much larger company that had been listed earlier. The ultimate faux pas and they were incredibly embarrassed; we were kind of amused by it.

05-00:32:42
Meeker: So where was the stock being traded prior to it being listed on—

05-00:32:47
Sandler: What's called "over the counter." Yeah.

05-00:32:49
Meeker: And that just means it wasn't on a—

05-00:32:52
Sandler: Right. It was markets were made on your stock by a variety of firms that make markets. This always was a large debate: was it better to be on the New York Stock Exchange, where you had a specialist, or was it better to be over the counter and have your stock traded? There was a kind of panache at that time for people like us to be listed on the New York Stock Exchange. I can't remember whether Apple is on the New York Stock Exchange now or not; they may not be. But major companies have made decisions not to be listed, and now there are other exchanges as well. At that time, there was the American Stock Exchange, New York Stock Exchange, or over the counter. I believe there are other stock exchanges now. I am not up to date on any of that stuff.

05-00:33:45
Meeker: Well, like Nasdaq and a lot of tech stocks like to trade on Nasdaq.

05-00:33:47
Sandler: Yeah, right. That's correct. Psychologically, for Marion, it was a really wonderful thing. Psychologically, for me, in my innocence, it was also a big deal, but much more meaningful for her.

05-00:34:06
Meeker: You know, I know that you were working many hours a day, many days a week. When things like this happened, did the two of you take time to step back and celebrate achievements?

05-00:34:19
Sandler: We went to New York with our attorney and his wife. I can't remember who else came with us. We went to dinner, and then we went home. Yeah. That's all.

05-00:34:31
Meeker: And back to work the next day?

05-00:34:32
Sandler: Yeah.

05-00:34:39
Meeker: Well, is now a good time to talk a bit about the role of women at Golden West?

05-00:34:47
Sandler: Yes, it is.

05-00:34:49
Meeker: Okay. Well, let's put this in a broader context first. The concept of a "glass ceiling." And this is something that, clearly, Marion would have bumped up against during her time on Wall Street. What was the sort of coming to understanding of what that glass ceiling meant, and were there methodologies for breaking through it?

05-00:35:25
Sandler: Marion had a peculiar view, I think. And I'll state this at the beginning, and then I'm going to go through some things. And I'm going to actually quote from other sources as well, in part because for you, and in part because of something that we received from Wellesley some years ago. I've given this a great deal of thought.

Marion's view was, at that time, if you were in a place where your services aren't going to be recognized, get the heck out of there, and go someplace else. And if you want to run things, start your own business. She tells a story—and I'm not going to make it come across right, because it's now vague, but I remember she was asked to address a group of women at Stanford. I think it was CROW: Center for Research on Women. And all of us who do a lot of speaking look for an anecdote, and she points out at the beginning of her remarks that she is not very good at jokes. So she thought she'd just start with her view on this subject, which was, you know, "What you should do is start your own business." And there was hysterical laughter. The place was just cracking up. They thought—at that time, going way back there—that she was making a joke. And of course, she wasn't make a joke. She really felt that if you want to run something, and if the institution you are working for isn't going to promote women, then go start your own business.

I think the place to start would go to the beginning, when she's out of Wellesley, Phi Beta Kappa, a star, and she wants to go to Harvard Business School. And she can't. No women admitted. But they did have something called the "Harvard-Radcliffe Program in Business Administration." And I think I explained in an earlier meeting that she had the fascinating situation of having exactly the same professors give exactly the same lectures that are given at the business school to the women at the Radcliffe program. So that's number one.

Then number two: after a short stint at Bloomingdale's, she decides that she really wants to make a career in finance, and she goes to Wall Street. And

they are not looking for her. Wellesley Phi Beta. If it was a man from a Princeton Phi-Beta? Sure, but a woman from Wellesley Phi Beta, they are not interested. "Do you type, and will you serve coffee?" She got hired at a ninety-year-old white-shoe firm known as the "Tiffany of Wall Street," Dominick & Dominick, and she is the first women in their ninety-year history that they are going to take a chance on. Which took a partners meeting. And they did. And good for them that they did that. But she was told she could never be a partner there. And remember, after she had been there for four or five years, she was one of their top performers. Clearly, partnership material, but Marion was told by a partner who really liked her a lot, "That's not going to happen here."

Then Marion goes to Oppenheimer and Company, and at this point, she's really a superstar, and she's doing all kinds of things, including the Lytton deal. And at Oppenheimer and Company, which is not a white-shoe firm by any means, she's told, despite her performance and despite the money she's producing, that there is no way she can become a partner. And we are friends with these people. I mean, we are personally friends. We see them regularly. And Leon Levy is one of the most brilliant people I have ever known.

We moved to California. I can't remember whether we have discussed this before, but when you move someplace new, most people have a tendency to think of all the people they know who live in that area who they knew in their former life. And one of the people on our list was Ed Scarf, the person from Investors Diversified Services with whom Marion arranged to be the major investor in the Lytton transaction. And we called Ed, and Ed said, "Oh, wonderful! Come over! Come over tomorrow. Let's have lunch." And we came over the next day, and Ed greeted us, showed us around the building. He was president of Transamerica and so forth. And he says, "Let's go to lunch." And he took us to the Pacific-Union Club, and we couldn't get in. No women admitted. Which embarrassed him; he had no idea about that. And he said, "Oh, I'm so embarrassed. I apologize. I'll take you to my other club," which was the Family club, and we were stopped there as well. No women could come in.

There are messages here, continuously, all the time besieging you. I'm going to skip a little time, because it's—and jump, and I'll come back later. Now that we had a reputation X years later, one of the major firms on Wall Street, Loeb Rhodes and Company, was having a financial conference, and they asked Marion if she will be the keynote speaker at lunch. And it's in LA, and it's at the Jonathan Club. And so Marion and I—I'm there really to keep her company and carry her bag—and one of the senior partners, Sherman Lewis, and a major junior partner, Mel Shaftel, are there, and we walk up to the Jonathan Club, which has a flight of steps on the outside, and we are stopped at the door. Why? Women are not permitted to enter at that entrance.

Now, I'm going to tell you something interesting here. And then Marion had to go in a difference entrance. But I remember after that, she says, "I will never, ever do that again." The issue is, she was socialized into two things—into being polite; and that that's the way it is. And she made up her mind she would never, ever, ever do that again, and she never, ever did that again.

But I want to mention a couple of other things. So in 2007, Wellesley did one of these reviews where they sent out a questionnaire to all of their alumni for the classes of every five years, and this was Marion's class, which was the class of 1952. And there were 240 respondents. And I never really looked at it closely, but after Marion passed away, I went back and looked at it, and it was fascinating. Out of her class, 240 people responded about what they did. A large number of them had been doing volunteer work. Less than 10 percent of the class ever had a serious job. I've made notes of the occupations. Most of them were college professors, mostly small colleges. Somebody was president of a small college. There was a microbiologist, an attorney, an architect. This is the cream of the cream! The best of the country. And virtually all of these women ended up doing volunteer work, when they were clearly qualified for a lot more. What a story! How much is involved in that? I find it a horror story, personally.

[Side conversation deleted]

When we moved to California, obviously, Marion, who was a professional financial person, wanted to have a brokerage account. She went to open a brokerage account, but it required my signature. Before Marion, I had never had any money to invest in anything, so I never did anything. After we were married, I still didn't do anything; Marion did everything. I knew nothing about investing, but I had to sign to give her permission to open a brokerage account. This is modern times! This is not 400 years ago.

05-00:46:24
Meeker: Do you know if those kinds of regulations were developed in the private sector, or was there a governmental interest, as far as you know?

05-00:46:32
Sandler: I have no idea of that. But whatever it is, both governmental and private, it was, is, and always will be asinine. And it's hard to understand. And I'll talk more about that later.

There are other two incidents which are amusing I forgot. We were at a conference of Bernstein period, and I was with Marion, and somebody came over and addressed Marion. So it was something to the effect of, "As an IR person, what do you do?" They automatically assumed that she did investor relations. They didn't realize that she was the principal speaker.

The other one, which is even more amusing, is we were on a trip to Boston arranged by Lehman Brothers. And the savings and loan analyst had a car

with a driver who was taking us—because he wanted us to see as many people as possible—from points one to place two; you just were on a treadmill. And as we pulled up to the first place, their office is in a very large building—shopping complex. He is there, we are about to get out, and the chauffeur turns to Marion and he says, "They have wonderful shopping here." Automatic assumption that she was a housewife who would want to take the time to shop, not that she may have been the principal speaker. I got off one of my best lines. I said, "Where is the shopping? I am the partner who goes shopping here." Which blew him away.

In a conversation between Ruth Bader Ginsburg and Gloria Steinem reported in the New York Times they were asked, "When you were young, women couldn't rent apartments or get credit cards without men. Did you buy into that?" And [Ruth Bader] Ginsburg says, "Well, Gloria [Steinem] went to Smith; I went to Cornell. It was the school for parents who wanted to make sure their girl would find a man. Four guys for every women. If you came out without a husband, you were hopeless."

05-00:48:36
Meeker: At Cornell?

05-00:48:37
Sandler: Yeah. Of course, Marion's mother, I think, had a lot of the same view: she wanted Marion to be a teacher. And you may remember I mentioned to you that when Marion called to tell her that she was Phi Beta Kappa, her line was, "Imagine that! You, a girl!"

And Gloria Steinem responds, "It was a women's college, but the emphasis was on marriage. The Smith president of the era said, 'We are educating women because to have educated children, we must have educated mothers.'" The idea that women would do anything or do something other than produce children was not out there. Now, of course, UC Berkeley just announced the new chancellor of UC Berkeley, Carol Christ, who did serve as the president of Smith and who was terrific, and should have been chancellor of UCB before this. So if she had been chancellor before this, the university would be in a lot better shape today.

05-00:49:36
Meeker: Agreed.

05-00:49:42
Sandler: Another line that they referred to is they were asked—there was a dinner of the brand-new Harvard Law women when the dean invited all nine of the women—nine, from a class of 500—and asked, "How do you justify taking a spot from a qualified man?" Ginsburg claims she was very embarrassed. But she said—and she's needling herself here—"I gave him the answer he expected: 'My husband is a second-year law student, and it's important for a woman to understand her husband's work.'" She was socialized into saying

that just as Marion was socialized not to demand to walk up in the Jonathan Club. It's a different period, and kids wouldn't put up with that crap today.

05-00:50:43
Meeker: One of the things that you are pointing out with all of these examples is that—

05-00:50:47
Sandler: I got more!

05-00:50:48
Meeker: Well, I want to hear more. But that it's so deeply ingrained in the culture that it's not these are the rules and you have to abide by the rules; it's like, this is just the way that people think.

05-00:51:04
Sandler: Yeah. And that's why people like Marion are critical. And I can't tell you the number of letters I have from women who worked at World in all kinds of jobs—management jobs; middle-management jobs; branch managers; loan supervisors—the difference that Marion made in their lives by seeing that a woman, conducting herself as a woman—not changing herself to act [growls] aggressively or that—could stand up, and people would listen because of what she says and does. I mean, I got tons of those letters.

05-00:51:53
Meeker: Did Marion ever call herself a feminist?

05-00:51:55
Sandler: No. She didn't see herself as a feminist.

05-00:51:58
Meeker: Can you unpack that a little?

05-00:52:00
Sandler: I just know it was always something I was curious about. I guess maybe exemplified in that she said, "Oh, you think like a man." That's a lot of baloney. It's a way of thinking. It's not male or female. You go to business school, there are some people who clearly have no idea what's going on. They'll be given a case problem, and they'll have no idea where to start, how to resolve the problem, at all, male or female. She says, "I think like a business person. I don't think like a man. I am a woman who can think."

05-00:52:46
Meeker: That's really interesting, because there is a tendency for social movements to always move toward purity. And that certainly happened with feminism, where you start—in the second-wave feminism in the early to mid-sixties—Betty Friedan, Gloria Steinem, the National Organization for Women—

05-00:53:15
Sandler: Germaine Greer—all that.

05-00:53:16
Meeker: Particularly at the beginning, it was liberal. It was fairly middle-of-the-road. By the time you get to the mid-1970s, a lot of those women are considered not feminist, or not feminist enough—

05-00:53:30
Sandler: Not pure.

05-00:53:31
Meeker: Not pure enough. And so I can see somebody like Marion would say, "Well, I can't be the kind of feminist you want me to be, because I am a business person."

05-00:53:45
Sandler: Marion would never make apologies for anything. "This is what I think is the right thing to do." If you want to look at what's the magic essence of Marion, Keith Yamamoto was searching for words once, and he used an expression which I've seen now a hundred times of people describing Marion: "Get it right. Do the right thing." There's a letter that somebody in management wrote, and he said, "I always thought that Marion expected this, that, and the other thing, and I wanted to satisfy her, until I finally got it: all Marion wanted me to do is to get it right. What's the right thing?" She wasn't interested in labels or any of that. That just had no attraction or interest. It was just stuff in the way.

You mentioned Gloria Steinem. There is a story when she is sitting in the back of a cab between Gay Talese and Saul Bellow, and Talese says, "Every year, a pretty girl comes to New York and pretends to be a writer. This year, it's Gloria." Ah! [laughs] This is very important. The reason I'm quoting these things is they say it so much better than I can say it, because they are putting so much more into it. So Gloria says, "I had just interviewed Saul Bellow in Chicago, but it wasn't published yet. My first response was, "Oh, he is going to be regretful that he gave an interview to somebody who is not really a writer. It wasn't until we were out of the taxi that I got angry, and it wasn't until years later that I got really angry." And that happens a lot of the time. It is because you have been socialized into expecting and dealing with garbage.

Incidentally, it's striking to me that Ginsburg's mother wanted her to be a high school history teacher, because she never dreamed there would be any other opportunities. So she married Marty Ginsburg the year she graduated college. She could go off to law school. "If nobody hired me, I had a man to support me. Of course, weirdly, he was right. No one hired the woman who graduated number one in the class." Hard to internalize some of this stuff.

"There were many firms, Ginsburg says, who put up sign-up sheets that said, 'Men only.' 'I had three strikes against me. First, I was Jewish. The Wall Street firms were just beginning to accept Jews. Then I was a woman. But the killer was my daughter Jane, who was four by then." The point was, they

didn't hide why they didn't hire, just as they told Marion, "You are not going to become a partner. It's just not going to happen." I mean, imagine that, incidentally: the idea of being able to tell somebody—

Oh, here, here! This is so true today. [Reading from a publication] "How do people respond"—this is to Steinem—"when you first raise concerns about equality for women?" "They were either disinterested, or said it was impossible. My classic experience was an editor who said, 'Okay, you can publish an article saying women are equal,' but right next to it, he would publish an article that said they weren't, to be objective." What's the expression in politics when somebody is obviously lying and somebody is saying they are true? Oh—"false equivalence." You publish both, as if there is any truth in one that's just a lie. And of course, that now takes place more than ever in a Trump world. [laughs]

05-00:58:13
Meeker: Or you just start with the lie now, and you don't even need the truth. [laughs]

05-00:58:16
Sandler: Yeah. There is a wonderful thing Steinem says: "I remember covering a hearing in Albany about liberalizing the abortion laws. This was before *Roe v. Wade,* and they invited to testify fourteen men and one nun." I mean, if I were making this up, you would find it hard to believe that. "Steinem then said, 'Well, it makes a very important point: that the women's movement was disproportionately pioneered by black women."

You might be interested to know—and this is just as—not really all that relevant to what we are talking about, but it's a fun story. She points out, Ruth does, that Marty was an extraordinary man: "He was so secure in himself that he never regarded me as any kind of threat. He was my biggest booster." And that's really my relationship with Marion. My greatest joy is when people recognized how fantastic she was.

And of course, he was a brilliant tax lawyer. Ruth says, "We decided when we met—I was seventeen, and he was eighteen—that we were going to be together, whether it was going to be in medicine or"—and the interviewer says, "Wait, you decided you would go into the same profession?" And Ruth Ginsburg says, "Right. But Marty had a consuming interest in golf, and played on the Cornell golf team. So medicine was out because chemistry labs were in the afternoon. For some reason, he wanted to go to Harvard, and the business school wasn't taking women. So that left law." [laughs] Of such things! Not much to do with anything we are talking about, but I love that story. There is so much of our world in what I am talking about now.

05-01:00:19
Meeker: You know, Justice Ruth Bader Ginsburg was more or less a contemporary of yours.

05-01:00:26
Sandler: Yeah, that's why it's so meaningful to me. She is my age.

05-01:00:30
Meeker: Yeah. Well, then, I guess sort of bringing all of these kinds of experiences back to the first point in time in which you and Marion had the opportunity to correct the way in which business could be done—right.

05-01:00:51
Sandler: I was getting to that. Do you want me to do it now, or can I wait a little bit more?

05-01:00:55
Meeker: Keep going.

05-01:00:56
Sandler: So just another one, which is of somebody of a generation later: Liz Holtzman. She was the district attorney in New York, and a congressperson. "In 1972"—so that's an exact generation later—"when I first ran for Congress, my rival mocked my campaign against him as an attempt to topple the Washington Monument with a toothpick." So she was dismissed as "Holtzman and her squaws." Interesting how Trump calls Senator Warren "Pocahontas." Notice that.

Well, she goes through a series of stories, which are the equivalent twenty years later. And I have a series of stories I can tell or not tell, but I'll skip them because I think I'm going on too long. Little stories, I started to collect these when I came across this, from Tom Laqueur. And he says, "Things were still bad half a generation closer. A friend of his, Beth Berry"—I don't know if you know Beth—"now sixty-eight"—

05-01:02:18
Meeker: Also a history professor.

05-01:02:19
Sandler: Yeah. "Told me that the chair of the department came to her during her second year on the faculty. He appreciated her views concerning a new hire, but suggested that she not come to the meeting, and that he would not read her appraisal because her strong position might alienate colleagues, and thus jeopardize her tenure." I'm striking home now, aren't I?

05-01:02:52
Meeker: Right. Well, this is the Berkeley history department, too, which was not a conservative bastion by any stretch.

05-01:02:59
Sandler: So now, there is a woman by the name of Janet Benshoof, a very brilliant woman. She was very early in the battle on reproductive rights. She formed the first center for reproductive rights many years ago at the ACLU, and she left the ACLU to create her own center. The Buffetts were big admirers of

hers, and they guaranteed a significant percentage of her budget if she had her own center.

And she's sending a condolence note on Marion's passing: "I'm sorry about her loss of your life companion, friend, and wife. Marion was a formidable person with a tender interior. There are few truly unique individuals in the world, really, and she was one. Although Marion and I were never personal close friends, I admired her greatly." And then she really is incredibly perceptive here: "Actually, I was a bit fearful of her awesome intelligence and complete forthrightness. As one of fifty women at Harvard Law School in 1970"—out of 500; at least we moved from nine to fifty—"I have some idea of the kinds of odds and obstacles she had to overcome. Marion embarked on a lonely and singular quest in a man's work. She did so in the decades before I did, which is awesome. Wall Street and money is and was always a man's place. As one of a few women in law school in 1970, my presence was in part explained away by the, quote, 'social justice bent.' To use law for that mission was okay. It was not interfering with male prerogatives, sort of like Florence Nightingale goes to law school to help victims more." Incredibly perceptive.

"I do not think I could have ever taken the singular path Marion did. It so impressed me and Susie"—that's Susie Buffett, Warren's deceased wife—"how Golden West had so many women in top management positions. You did that thirty years ago to an extent that is barely industry average today. Susie, who was close to Marion's age, used to talk to me about her as a woman Susie could have been if she had the courage. By this, she did not mean a banker of Wall Street or Wall Street leader, but rather, a woman who developed her skills and intellectual acumen as much as possible. Susie used to say she never knew any woman like Marion, who pushed for a career when she was in college. Bertie, Warren's sister, was her roommate at Northwestern, and was/is a math genius. Susie herself has a fine, honed intelligence. Yet neither had her vision or sheer courage to plunge ahead like Marion."

"I always"—I don't know if this is the end of it—"always enjoyed the fact you had each other, that you two had each other, and this extended not only to business, but to your liberal, future-looking philanthropy. Very few bankers [laughs] have ever funded the ACLU." Et cetera. I thought that's an incredibly perceptive understanding of the scene.

Just a few more of these. So, you know Laura Tyson?

05-01:07:02
Meeker: Mm-hmm.

05-01:07:03
Sandler: Yeah. Well, she says, "Marion was a visionary female leader, an inspiration to me, and to thousands of women of my generation. I recall her inspiring

graduation address when I was dean of Haas." Et cetera, et cetera, et cetera, and she talked about some other things.

What I'm trying to catch: the women who had that view. Shelby White, who was the widow of Leon Levy: "Marion's name was part of my life for almost five decades. First, when she met Rod"—who was her first husband, who was director of research at Oppenheimer—"and then through Leon, and his stories of your morning walks. But it was only more recently that I felt I got to know both of you, and what a woman she was. To many of my generation, especially when I was a financial journalist"—she used to write at *Fortune, Time*, et cetera—"she was the great legend. When I met her, she was warm, kind, and funny, and, as I now realize, brave and stoic. I don't think I ever heard her complain or give in to what were overwhelming physical assaults." Again, how she was regarded.

Now, Planned Parenthood, Cecile Richards. She was writing this to Susan: "I was so sad about Marion. She and Herb were an incredible team, and made such a difference in the lives of us all."

These are all women who are focused on women's achievements. Jennifer Palmieri. She was Obama's head of communication, and Hilary's head of communication during the campaign, and she had just learned about Marion's death: "She was a remarkable woman and had such an impactful life, and was a role model for other women, from her groundbreaking career in finance to the company you built, the family you made, and the incredible impact you have had in creating institutions like CAP and ProPublica, among others." And this was the part that got me: "It is inspiring to see what one no-nonsense, hard-working, focused, well-intended Yankee can accomplish."

So there are hundreds of letters like that about her and being the role model, the legend. There's another one here, but I'm boring you with those. I mean, can I do two more or something?

05-01:09:51
Meeker: Yes.

05-01:09:52
Sandler: One of them is right on point. This is a woman who was very, very bright, very tough to work with; had very high standards, very strong points of view: "Interacting with Marion was invariably fascinating"—and then she mentions that she actually reported through somebody else, but that she worked very closely with Marion. "For five years, with unswerving certainty and unflagging energy, Marion set my priorities, decided which of my projects merited resources and funding, reviewed reports measuring the results of my efforts, provided me with a bountiful and thoughtful array of insights, suggestions, corrections, and most meaningfully, words of encouragement."

Incidentally, she never calls her "Marion." She says, "M. O. S."—her initials. So I probably should say, "M. O. S."

"M. O. S. was singularly discerning. Let me simplify: she could see through the malarkey, separate truth from fantasy, sniff out inaccuracies, and recognize a good idea—and an ill-begotten one—like no one else I have encountered in my many years at many companies." And then she refers to how she marked them up, and that people used to enjoy reading the mark-ups of this thing, but that takes too long.

But now, another part of Marion: "Just a few weeks after I joined World Savings, my father died at the auspicious age of eighty-one. Marion made a special trip to my office—she was a rare but heralded visitor to the marketing floor—to convey her condolences. In our Tuesday and Friday hour-long sessions, she routinely asked about my son. I was a single mother who accepted World Savings' offer of employment with clearly-articulated limits on my willingness to travel for business—never. This was a stipulation with which Marion dutifully complied. And in our occasional meetings and correspondence once World Savings was no more, she expressed increasing interest in his aspirations and accomplishments. Formalities notwithstanding, there was unwavering humanity there."

"M. O. S. achieved a level of power and influence that places her in a sadly small set of female leaders of commensurate success. Her uniqueness has led me to reflect with some frequency on the relationship between the careful means by which she orchestrated her world and her ability to lead with impunity. Yes, she was a woman of prodigious intellect, boundless energy, singular discernment, and passion for her work. Indeed, she was an educated woman of considerable means. But looking back from the seat I sit in today, I am, among other things, a carefully-constructed at-work persona. Feminine but firm, stylish but never trifling, M. O. S. held her own, a petite, attractive woman in a world of men. She maintained authority with calm, never raising her voice or using harsh words. She defined the dynamic in every meeting I ever witnessed her in. She saw no need to pull her punches to avoid that hideous moniker that is too often draped over the unsuspecting shoulders of assertive women who occupy positions of prominence in the world of men, and in so doing she grew to command the helm of one of America's great financial enterprises, and to inspire aspiring woman leaders everywhere."

05-01:14:17
Meeker: That's super insightful.

05-01:14:19
Sandler: That's why. I shouldn't do that, but it just saw it beyond what most people do.

05-01:14:29
Meeker: This does not surprise me, that an insightful employee who worked closely with her studied her, and in studying her in studying her, found what she

interpreted as a very deliberate self-presentation, cultivation of persona, recognizing that if Marion was not so deliberate about how she presented herself, she could have well opened herself up to all sorts of, you know, untoward advances—

05-01:15:16
Sandler: Yeah. That's the point.

05-01:15:17
Meeker: —or unsympathetic criticisms. How accurate is that interpretation of her?

05-01:15:30
Sandler: This? Unbelievably accurate. Extremely. I wouldn't have read it to you otherwise. I'm not bringing anything here which I didn't feel to show an understanding of Marion.

Incidentally, you notice she pointed out she went to work there as a single mother with conditions: "I will never travel." And we wanted travel for certain jobs, because you have to see what's going on in the markets. But Marion thought she was a bright woman, and she would make a contribution.

We had lots of women like that in the place. We had tons of women with single children. And I have got incredible letters from people—"My children have now graduated college"—and they catch us up on what's happening in their lives. When they looked for the job, they were in trouble. They needed to make a living and they had a child, or two children. Nobody else would hire them. And we brought them in, we trained them, and many of these women became branch managers, became district supervisors. But there was an enormously high percentage of women with children. We were interested not whether they had a child or didn't, but were they intelligence, competent, professional, trainable, et cetera.

05-01:16:55
Meeker: I do want to go back to this self-presentation. Did she ever describe to you the process or intellectualize it?

05-01:17:11
Sandler: Do you remember the thing I said—and it got repeated in one or more of these epistles I read—she was totally natural. There was no artificiality. I had never met anybody like that before: without artifice, without—"In order to make it as a woman in business, I have to act like thus and so." She was who she was, and she was like that always. With the children, loving, affectionate, et cetera, et cetera. And in business, she was a professional. As my lover, she was incredible. But it was her. She wasn't putting herself to be different in any way than what she was.

I understand what you are saying: "That as a woman, there are certain ways I should present myself." If she did that, I don't know about it, and we didn't discuss it. And believe me, we discussed everything. It's just the thing that

caught me at the beginning, which I referenced when we met on the beach. Putting aside her cuteness and intelligence and all that, I had never met anybody else who was totally without pretense or artifice.

I'm going to do one more thing, which I shouldn't, because it doesn't fit, and then I am going to move on to the hiring. It's a love letter from somebody who worked very closely with her, this woman who was her creative director, who was extremely talented. And I apologize, because I don't think this belongs in here on one level, but on another level, it will bring you new insights:

"I actually always feared the day I would lose Mrs. Sandler. Notice this would be my loss. As morbid as it may sound, I had thought about it a number of times. After all, it was fairly logical that she would predecease me, being older and all, and she seemed so frail the last few times I saw her. But she was my hero. She stood a hundred feet tall. I know losing her would have a huge impact on my life, so when that day came, I wanted to be prepared for the worst. There were so many reasons I feared the day. That day would mean I would lose the rock, the foundation on which my confidence to go about my business self-possessed was built. It would mean I would lose the giant defender and champion in my corner if I were ever to encounter anything unjust. It would mean I would lose the access I enjoyed to the smartest woman on the planet."

"When my eyes saw 'Dear Friends' in the subject line of the Saturday morning e-mail, that old familiar wave of foreboding surfaced like a giant swell over my head. But this wave didn't break; it just hung there, suspended, motionless. This was the day. I have been struggling with how to express my grief over the passing of Mrs. Sandler ever since. I loved her deeply, and she meant so much to me in so many different ways that I have wanted to be sure I write the perfect expression. But despite all my careful measures, despite all my preparations for dealing with her loss, the actual loss feels different. Weeping, I posted her pictures on my Facebook page and started typing my message for all to see. Suddenly, it was as plain as the nose on my face what my preparation had not prepared for. I simply read what I had just typed: 'Today, the world lost a great woman, and I lost my friend.'"

"I feel pangs of sorrow for Mr. Sandler. Mercifully, my mind jumps to the wonderful fortune he had in his life to be married to such an extraordinary woman. I had the privilege of knowing Mrs. Sandler felt the same way about him. The little hearts floated out of her eyes whenever she told the story about how she and Mr. Sandler met at the Hamptons, how they drove out to California in a convertible. What I would give to have seen those two back then. The same little hearts floated out every time Mr. Sandler peeked his head into her office, and every time he walked past us in the hallway, tossing off some completely spontaneous, clever, charismatic remark and made her

smile. What a beautiful relationship indeed. How wonderful to have had that. I hope there is some comfort there."

"I want to share a memory. I have so many, it's difficult to single out just one, but there was one particular incident. One morning in her office, Mrs. Sandler showed me an ad campaign announcing the new partnership of some Wall Street investors. It was a splashy campaign with a big, fat media buy. I knew some pretty famous San Francisco ad guys had developed it. Mrs. Sandler asked my opinion of the campaign. I told her I thought it was great."

"Back at my desk a few hours later, I e-mailed her. I confessed to her that I didn't think the ad campaign was really that great at all. I thought the message was self-congratulatory; I thought the media buy was bigger than the message. I told her if it was my money, I would never have spent it that way.

"My phone rang. 'Eleanor? Come up to my office, please.'

"That was a long elevator ride.

"She had me sit right in front of her at her desk. She looked me straight in the eyes and said, 'I hired you to give me your truthful opinion. What made you say earlier that you thought this campaign was so great?'

"I admitted to her that I knew it had been concepted and executed by two of the hottest creative guys in the ad business, who were out of San Francisco's hottest shop. Who was I to question or critique their strategy? Plus, I was worried that they might be friends of hers—she knew so many people!

"She said nothing at all, so I continued blathering. Psychoanalyzing myself, I then admitted that this was a behavior I had observed in myself before: that I tended to defer to the declaration of experts in many areas of my life, even when I mistrusted them, often to my regret.

"'How long have you been doing this?' she finally asked me.

"'I guess all my life.'

"'Well, stop,' she said.

"Then she narrowed her gaze and uttered, 'Eleanor, you are smarter than you think you are.' And she sent me away.

Let me skip some stuff here. Okay. There is one other thing:

"A few weeks ago, after receiving an e-mail from me about having sold my house in Mill Valley and my plan to move to Ojai, Mrs. Sandler wrote me back an unbelievably sweet message: 'I enjoyed your good news/bad news e-

mail. Although we didn't see each other that frequently, it was comforting to know you were close by. I will miss your aura.'"

[sighs] There is more. It's a little bit more personal. Sorry. But I thought there was an enormous amount of insight in that situation to work for somebody like that.

05-01:25:50
Meeker: I agree. When you received all of these letters—and I am sure this is just a small sample—

05-01:26:01
Sandler: It is.

05-01:26:04
Meeker: —was there anything contained in them that surprised you?

05-01:26:11
Sandler: How pervasive it was. I mean, I am talking about hundreds and hundreds and hundreds of letters. People that we barely knew; some, we just remembered the name. You know, we used to call every employee on their anniversary—fifth, tenth, fifteenth, twenty, twenty-fifth, thirty, thirty-fifth, and fortieth—and we had them, people that were there so long. Excuse me. So there were lots of people who we knew but didn't really know. And they all told of situations and how much she meant, and how her family—how she was able to be so successful. Some of them are in business; they created their own business; they have employees; they are following the principles that Marion taught them; et cetera, et cetera, et cetera.

05-01:27:17
Meeker: I mean, I think it's such an interesting lesson, in the sense that—

05-01:27:36
Sandler: And we had a lot of letters that were also written, same things, at the time of the problems with the *60 Minutes* and *New York Times*, and *SNL*. But we'll talk about that later. Do you want me to just touch on the hiring and just close off that, and then you can go where you want? Or do you—

05-01:27:57
Meeker: Sure. Let's talk about the hiring.

05-01:27:59
Sandler: So all of this is by way of background of what it was like. I don't think a young woman today has any comprehension of what it was like then. They can't.

So now we can finally buy this company, and we visit this Castro Valley branch. We had a principal office in Oakland, and a branch there. And of course, we had visited before the acquisition, a lot of banks, walked in, how did they function, how large was it, checked the personnel—? And the

manager was a guy named Don Binger, and both of us were totally underwhelmed by him. We thought he was a glad-hander who could not answer any of our questions about anything. And they had somebody they called a "head teller," whose name was Joyce Pean, who was outgoing, charming, and could answer any question we asked in excruciating detail, and intelligently, and totally responsive. And we left, and we said we had never seen a branch manager other than a man. Is this what they're all like? So we did some more visits. And we came to the conclusion that this was this situation with the female.

In other words, we are saying that 50 percent of the population—it's actually 50-plus percent of the population—are not qualified to be promoted; therefore, I am going to pick—in a business in which my success turns only on my personnel—I had no copyrights, I have no trademarks; I have nothing special; I'm not Facebook, I'm not Apple, and I'm not Google—everything I have is fungible. The only difference is the people—and I'm eliminating 50 percent. There is something insane. So we fired him, made Joyce the manager, and as we opened every office, we went for the best person we could find, and they were usually women.

[side conversation deleted]

Do you remember Malcolm Gladwell talks about "blink?" It was both "blink" the minute we met him, and then it turned out as we got deeper that our "blink" was totally correct. He's not qualified for the job; let's put somebody on the job who is qualified for the job. Well, that then sort of presents itself not only in the additional branches, but, wait a minute—why not appraisers? And why not loan salespeople? And then as we grew, we started to have supervisory ranks. At the beginning, we were very flat at the beginning because we had too few people; you didn't need layers of people. But at some point when we had a lot of branches, we had to have something called a "district manager." A district manager, I recall, usually supervised six branches. A regional manager had X district managers under her or him, and the division manager supervised a much larger area.

And we just kept promoting the best person to the job, and they were invariably—not all the time, but frequently—women. And when we were hiring and bringing in trainees, many of the trainees were women, and it made no difference to us who succeeded. But there were large numbers of women—we had an advantage over everybody else, for a while, because we were hiring the best and the brightest, and we didn't cut off 50 percent of the population. And people who were mothers with children who were talented, there was nobody else hiring them. We were it.

What happened after a while is—pressure developed about women, to hire blacks, and to hire women. And since we had diversity in our staff, both racial and gender, we became a place from which other institutions stole people. We

did one other thing that made that difficult. It was really a problem. We were consumed with training. We trained all the time. We had continuous classes going on when we got to be a larger company. Someplace in the company, there were classes of ten, twenty, or thirty people off campus taking a five-day course. And they could go from course to course to get—better prepare themselves for more responsibility. And so we would have a black teller whom we trained—who knew nothing about the profession when we hired her—she just looked good, and turned out to be good—promoted her to branch manager, and then she would get stolen at a significant increase in salary, not because we were underpaying, but because since they couldn't hire anybody with her training—which they had to do because of pressure—they would pay anything to get them. It was fascinating.

05-01:33:34
Meeker: How did you respond to that situation?

05-01:33:38
Sandler: Well, with difficulty. If I am paying somebody at a competitive rate—or more than competitive, because we wanted to keep them—but somebody is willing to pay twice as much because they have another motive, or they have a shortage, let's say, of African-Americans, and they are being attacked by the regulatory body, they have got to fill that quota or whatever it is, I'm not going to double her salary. People, however, left with sadness. Some came back, because although they got paid more, it was a place they didn't want to work in. That didn't have the same culture, the same excitement.

We really supported people. I didn't read any of these. So you'd have Marion following up with this woman, Alexandra Roddy—that was the letter I read before—about her son. We went further than that. When people were sick, we would get them second opinions. There was a fellow with whom, Marion was very upset, in our corporate facilities department, and somebody referred to it in a letter they wrote because they were blown away. He had an illness that was quite complicated. Marion flew him down to Houston where her physician brother is, who was a brilliant diagnostician, to review his files and to examine him. Which he did, and actually kept him alive. And the person, she knew Marion did that a lot, but she was stunned that she would do it with somebody she was absolutely furious with.

05-01:35:41
Meeker: You know, I'm wondering: I don't know how closely you remember that first example in Castro Valley.

05-01:35:47
Sandler: Oh! I can picture everything!

05-01:35:49
Meeker: Well, you know, given that this really sets the stage—you are not the only stakeholder here, you are not the only audience; there are a lot of other employees who are witnessing this.

05-01:36:03
Sandler: Oh, yes.

05-01:36:04
Meeker: Can you sort of walk me through how you managed the, in essence, firing of the branch manager man and the elevation of a woman?

05-01:36:14
Sandler: That's one of the interesting things. Everybody knew he was incompetent; that he was a glad-hander. Everybody knew that Joyce was extremely competent. Nobody ever went to Don to ask him a question, because he wouldn't know the answer. So people know that. Remember I told you that terrible story about myself when Marion and our attorney were needling me when I wouldn't terminate somebody who clearly wasn't cutting it, for reasons that really were wrong? Do the right thing. Do the right thing.

Now, actually, there was a positive—and it was not an intentional positive; it was just a positive—a large number of our employees are women. Tellers. I'm a teller working at an office, and I see a guy who is incompetent being fired and a woman who is competent being put there? Wow! You want something that really gets you turned on? That's it! We didn't do it for that reason, but it was a byproduct.

When you make the right decision, almost everybody knows about it. It's not a surprise. And after a while, if you work at a company for a while, you know that's the culture. The culture was meritocracy: who is the best person for the job, to the best of our ability to discern that? And it's not who I'm sucking up to, or stroking, or playing politics, or playing bureaucratic games with. It's who performs. It's a liberating feeling to work in a place—

Incidentally, I am not making this up. It's in letters and communications. And you combine that with a high ethical sense—do the right thing. It's not just "What's right for the company." Screwing the customer is not a good decision, even if you made money on that transaction. People get it, and they like to be in a place like that. As long as you treat them fairly.

05-01:38:37
Meeker: It's interesting how you describe being on the leading edge of this.

05-01:38:44
Sandler: Being what?

05-01:38:45
Meeker: Being on the leading edge of, for instance, providing opportunities to women at a time when other S&Ls, other people in the industry, were not seeing them as qualified simply because of their gender.

05-01:38:59
Sandler: Well, they never got to look at their qualifications, or to consider them.

05-01:39:03
Meeker: Right. I mean, it was the gender that disqualified them, in essence.

05-01:39:06
Sandler: Let's look at Beth's story. I mean, she can't express her opinion because somebody is going to be offended by it? It's a strong opinion from a woman? I'd throw anybody who was offended by it out of the room.

05-01:39:24
Meeker: And the interesting thing that you said was that this actually put you—meaning Golden West—ahead of the curve, whereby you had access to 51 percent of the population—

05-01:39:35
Sandler: That others didn't. And we've changed the industry.

05-01:39:40
Meeker: Right. I mean, Alan Greenspan talked about this, too, in his autobiography.

05-01:39:44
Sandler: Oh, tell me about that. Because we knew him well.

05-01:39:46
Meeker: Yeah. Most of the people who worked for him when he was on Wall Street were women.

05-01:39:53
Sandler: Yeah. But in his case, one of the reasons he did was the pay scale.

05-01:39:58
Meeker: Was the pay scale. But it was a win-win in the sense that he got just as qualified people and he didn't have to pay as much.

05-01:40:07
Sandler: Yeah, yeah. But I think it'd be important if he would also pay the right amount of money.

05-01:40:12
Meeker: Right.

05-01:40:13
Sandler: That's Greenspan-Townsend. That's the firm, the name of the firm.

05-01:40:18
Meeker: It sounds like that the pay wasn't what you were considering. It was just—

05-01:40:22
Sandler: No, no.

05-01:40:23
Meeker: —the qualifications. But then, you know, I'm interested in this transition point, when other firms or other S&Ls recognized—

05-01:40:32
Sandler: And banks. And banks.

05-01:40:33
Meeker: —and banks recognized that they need to hire women. And that does put a different kind of pressure on you, because now the market for qualified women becomes more—

05-01:40:44
Sandler: Yeah, but the market is always the market.

05-01:40:45
Meeker: Yeah. Did Golden West ever feel that kind of regulatory pressure around hiring practices?

05-01:40:56
Sandler: No. Actually, we never felt it on hiring practice—and I noticed something in your outline—or lending practices. And I guess we can talk about that whenever you get to that particular issue. I think I mentioned to you earlier on the lending practice side that there were several studies done at UC—one in the sixties, and one in the seventies—about how could this firm have something like 40 percent of its loans to African-Americans, and yet have a lower bad loan ratio or loss ratio than anybody else? So that was part of us from the beginning.

05-01:41:53
Meeker: You know, I know that one of Marion's areas of interest was marketing.

05-01:41:58
Sandler: And how.

05-01:41:59
Meeker: And there's marketing that happens externally, in the sense of advertising, as well as internally, to communicate to your staff, and it's growing. Was there ever any marketing around these kinds of values, of meritocracy or equity, within or even reaching out?

05-01:42:17
Sandler: Certainly within the company. Not to the outside world; I don't recall anything like that. And actually, for many, many years, we had a special chairman's award for what we would call "public service" kinds of things.

And it was actually a very, very exciting meeting. I think we used to have something like six awards, and the winners would come in for lunch with all of senior management, the other awardees, and we would go around the room—even though we had it in writing and so forth—and have them tell us about what it was that they did. And it's a thing which almost everybody was always in tears, because what some of these people were doing in terms of helping others was so extraordinary. Then when you know you had to send it in, what you did, and you had to have references. We did factual backup to make sure nobody was conning us. And it incented others. And that we publicized a lot, because we wanted to incent others to emulate them.

And they loved the idea that they were the center of attention. All the top officers of the company were in the room; we were all having lunch together. It was always a lot of fun and a lot of teasing. Jim Judd is a real witty guy who would always make fun of different members of management, especially me. And people were coming from all over the country. It might be a teller; it might be an appraiser; it might be a branch manager. Loved seeing me teased. And so it was a lot of fun at the same time to hear what they and their colleagues were doing, and being respected for it, and rewarded for it, with grants to the institution they were involved with it, and some monetary thing for them, et cetera, et cetera. And so that was a kind of thing.

05-01:44:33
Meeker: In overcoming the glass ceiling there are different elements of that. I mean, there is, obviously, the breaking of it.

05-01:44:44
Sandler: When she was on Fortune 500, the longest—she had the most years on that—did she break any barriers? I mean, no. She ignored everything! You know, I'm just reminded: years later, she was appointed to the Glass Ceiling Commission. And they were appointed by the majority leader and minority leader—she was appointed by George Mitchell when he was majority leader—and dealing with those issues.

Men don't give up privilege easily. I don't know if you've looked at that article on colleges going coed? I sent it to you recently.

05-01:45:39
Meeker: Oh, right from the *New York Review of Books*.

05-01:45:41
Sandler: Yeah. And it's hard to believe when you look at it. Oh, I sent that to a bunch of other people who were around at the time this was happening—people you know—and this bringing back all kinds of memories—

05-01:45:53
Meeker: —that women couldn't go into the library at Harvard, even though they could take classes there.

05-01:45:56
Sandler: Yeah. Oh, I forgot about that one.

05-01:45:59
Meeker: That's a head-scratcher.

05-01:46:01
Sandler: Yeah. I mean, what is wrong with their heads? How do they function?

05-01:46:07
Meeker: So the glass ceiling is interesting, in the sense that it's important that people break through it, and one of the reasons that it's important that people break through it is that people who start out lower to the ground can see that they have a—

05-01:46:24
Sandler: So today, 50 percent of almost all law school students are women, and medical schools, business schools. Enormous progress has been made. Are we there yet? Not yet. Not by a long shot. People don't give up power easily.

05-01:46:50
Meeker: I'm not sure I quite have a question for this, but—Was there ever formal communication to your staff that the glass ceiling didn't exist at Golden West? Or was it just plain and evident?

05-01:47:20
Sandler: Everybody knew it. You look at our annual reports. You look at who is running the company. Who is the treasurer? Who is in charge of the financial area? Who is a division manager, who has a large number of men and a large number of women reporting to her? And there are guys who are at the top as well.

05-01:47:44
Meeker: What about the board of directors? How did you find appropriate women to bring onto the board?

05-01:47:49
Sandler: There was a point there, actually, which we wanted to prove. As you know, women have had a difficult time getting on boards of directors. We were one of the outstanding performers. We had been, article after article, saying we are the best-managed financial institution in the country. And we wanted to demonstrate that you didn't have to have a majority of men—or all men. So we started to look for women who were bright, thoughtful, had the kind of personality where they would say what they thought and not give us a lot of baloney, as Eleanor did with Marion when she wouldn't tell what she really thought of the ad. We really wanted to know what they think. And we also wanted to be diverse.

And so we ended up, for many years, with a majority of our board were women, including—well, Marion was on the board, and then in addition, we

had a major leader in the Hispanic community on the board, who had been on the board at Rockefeller. I mean, she was a serious person. An African-American who was a professor at Georgetown, and one of the leading bioethicists in the country. Her husband just died. Her name is Pat King; her husband was Roger Wilkins, who just died the other day. [side conversation deleted] He was the nephew of Roy Wilkins, and he was a great storyteller. He was on the *Washington Post*, on the *New York Times*, worked at the Ford Foundation—incredibly interesting guy with extraordinary experience that he—quite a life. And his wife is a superstar, this Pat King. And then we had an Asian woman, who was recently on the Board of Regents, Leslie Tang Schilling, who was a real estate expert, a major owner and developer.

And then we had a woman named Maryellen Herringer, who is a fun story, because she was the first woman lawyer hired at our law firm, the Orrick Herrington firm in San Francisco. I mean, we were her first assignment many, many, many years ago. And then she went on to be a major partner at the Orrick firm, and one of her key accounts was Transamerica. She was hired away from Orrick by Transamerica to be their general counsel. And then she and the CEO, Frank Herringer, got married. And so she had to leave; one of them had to leave Transamerica, and the president and CEO is not going to leave. Their general counsel left, and she went to American President Lines, where she was an executive vice president and general counsel, and she ended up selling that company for them. So she was a kind of a superstar legal mind.

And those were our five women for many, many years, Marion and the four of them. A terrific board. Still have relationships with all of them many years later.

05-01:51:57

Meeker: I think maybe the last thing to cover today, apropos of this is use of permanent part-time staff and flexibility, and how that relates to a diverse workforce. Can you describe what the policy was and how it worked?

05-01:52:16

Sandler: It's exemplified by a story I told you, but that I can explain what we did. And it was astonishing to me that this, at the time, did not exist anyplace. So we were acquiring an organization in Florida, and Jim Judd was visiting it. It was a large office, and there were twelve employees there. And this is the story where he could throw a dead cat in there and not hit a customer. There was nobody there. Now, that makes no sense.

So we had less sophisticated models, but that really focused our attention. And so what we did is we developed a model which is unique to every branch. We did a study of the traffic in every branch by hour. When did people come in? Was there a pattern? Was it a clear pattern, using statistical regression analyses to eliminate all kinds of peculiarities and errors? And what you found out: there was a pattern in most places.

And then what we decided to do was to go with permanent part-time staff. So there were times when there should be twelve people in that office. This was a Florida shop, and I can't recall what the pattern was there, but let's pretend the pattern was 3:00 to 5:00; you would have twelve people there. Other parts of the day, you might have two or three or four people. And there are lots of people who are looking for part-time employment. And they are usually very competent people who want to have something to do and to make a little money, and they like the social aspect of it, to be meeting people and talking.

It wasn't brilliant. It's ABC. The question is how could you not be doing that? Well, we did the research, found out there was nobody doing it. Bank of America wasn't doing it, Citibank wasn't; nobody had any kind of studies like that of their branch operation. I would expect that's universal today, but at that time, it was kind of startling to see. It's such a simple business issue, not requiring any kind of rocket science.

05-01:54:50
Meeker: Did this kind of more flexible work schedule attract a different kind of employee?

05-01:54:57
Sandler: Well, it was very good, in many places, for women with children who wanted part-time employment. And many of them, as they stayed with the company—when they had a chance and they wanted more employment, we'd find a place someplace in the area where they needed part-time, either in that office or another office, and the ones who were really good were moving up into the hierarchy of management. So, yeah. It was a win-win-win. Hard to understand why it wasn't done universally many years ago.

Did you want to talk about the design, if I can find that? The design, in part, is relevant to your issue; in one part of, it is. There is two parts of the design: one is the look of the office; and the other is the functionality of the office. So consistent with what I told you, what we did is we employed some industrial engineers to come assist us to figure out what an efficient branch office should look like, where every piece of furniture should go, where each piece of equipment should go; how people moved if they weren't constrained by stupid or dysfunctional design.

And so we came up with designs that made it extremely functionally easy to work in.

05-01:56:38
Meeker: Just kind of back up. So where was the design for branch offices when you came into this?

05-01:56:44
Sandler: They were by a bunch of architects who were totally incompetent at function. To let an architect who knows nothing about anything other than design tell

you how you should put people for function in any business is a joke. And we have hired hundreds of architects, so we know whereof we speak. Not all of them are good at design, either.

So we now had a functional look to the office about where things were.

05-01:57:20
Meeker: How was that different, though, than the sort of time-tested or traditional architecture?

05-01:57:29
Sandler: Architects usually focus on design and are less interested in function.

I think I told you a story—maybe it wasn't to you—when we were acquiring both organizations and individual branches, and we went to look at a branch of Santa Barbara Savings. And I looked at it and I said, "My god, this looks awfully small—much smaller than what the data is." And it looked like it was 2,500 square feet. And it said on the material we were looking at that it was 5,000. Well, the architect and the management had so cut up and screwed up the office that they made 5,000 feet look like 2,500 square feet. It was just impossible to move around in there. We thought the numbers were wrong, and then we confirmed them. It was an architect who knew nothing about branch function, and management who were like the management I described earlier. They didn't know anything about their profession.

So we went about this kind of professional way of doing it. And then Marion and I felt very strongly—particularly Marion—that aesthetics matter; that people like to be in a place which looks good and feels good. Most branch office windows have dark glass—I don't know if you have ever noticed that—because they want to keep the sun out. But that prevents people from seeing in. It's as if you are hiding something there. We never used dark glass. We would protect against the sun by doing studies of the movement of the sun during the year, and then built the branch in such a way so that we had trees or something else blocking the sun rather than blocking your view into the office. Usually very colorful, very contemporary, very comfortable physically, so when you are in there, you kind of feel good.

Now, some older people some of the time didn't like it. We did a study of that, too, and it turned out that if you waited six months to a year, they became the biggest fans. They would turn.

05-02:00:01
Meeker: So they were used to the—

05-02:00:03
Sandler: The old stodgy, dark way of doing it. And we were full of light, and everything was lit, and then you could see everything. We had paintings on the wall. We had art. It was just all these things. And everybody was dressed

very neatly. We had dress codes. And then also, if you spoke other languages, you would have on your name what languages you speak, so that could facilitate.

05-02:00:30
Meeker: Well, I know that you put contemporary art in a lot of your branches.

05-02:00:33
Sandler: Right, right.

05-02:00:35
Meeker: That can oftentimes be challenging to people. What—

05-02:00:38
Sandler: And that was what caused some of the problems at the beginning. But people, later on—not universally, but significant numbers were like that.

05-02:00:49
Meeker: Was there ever any art that had to be pulled?

05-02:00:52
Sandler: Never pulled any art. No.

I just thought as we were talking of an old Lytton story to give you the essence, if you don't mind my going back. There was a period of time in which you were permitted to have giveaways in the office. And Lytton was brilliant at marketing this, and there were all kinds of complaints. So what they did is they passed a regulation that said if you are going to have giveaways, it can't be seen from the outside. That's a Lytton regulation. It's clearly designed to stop the show he put on inside.

What do you think he did? He put curtains up that blocked your look in with a huge sign which says, "They won't let me show you what I have in here." And the crowds got bigger and bigger. And that was in all his ads: "They won't let me show you what I've got."

05-02:02:07
Meeker: What was he doing? Like was there anything that was quite interesting?

05-02:02:10
Sandler: No! He was giving away things, and—you know, pen sets. I don't even remember anymore what these goodies were. He just was much better than anybody else in marketing, and when they gave him this idiotic regulation to block it, he made it into a positive.

So on the design thing, so there are two things. I couldn't find the others, but there is many more of these. In 1979, *Progressive Architecture* had the following: "By far, the most distinguished effort to sponsor first-rate bank architecture in the US over the past few years has been that of World Savings." And then there is a letter here—I hope I can find it—from one of our

architects that expatiates a little bit on that. Let me see if I can find it. Ah! It's kind of a charming letter [reading a letter]:

"As I mailed my proxy recently"—this was a letter that was sent when we were purchased by Wachovia—"I thought a few words were in order as well. My first encounter with World Savings was twenty-five years ago, when I was hired to design a little branch office in Montclair, and eventually Petaluma and Grass Valley. At that time, I was so impressed with the World Savings development operations that I invested some of a small trust for my daughter's education in Golden West. That small investment sent two girls through college, and a down payment on a house. The World Savings construction program was exemplary: a clear and ambitious program; adequate budget; and supportive construction managers. And coaching design, you had Bill Turnbull, who is greatly missed." He's one of California's great architects. "For this architect, myself, working in a very competitive field, World Savings was a dream come true. Today, the World Savings branch network is a unique living museum of the best of twentieth-century architecture, and you who created it are truly Medicis." The same thing has been said in other architecture magazines.

05-02:04:28

Meeker: You know, I'm wondering: can you remember for me any of the details—this is what I was kind of getting at—which is the old, stodgy bank where you have the teller windows and the loan desks? In places like San Francisco, they were in great neoclassical edifices. Did you develop a critique of that time-honored, you know—

05-02:04:58

Sandler: Yeah. We didn't like it. We thought it was incompatible with customer comfort and customer attraction.

05-02:05:04

Meeker: And then in your working with these architects—Turnbull, et cetera—

05-02:05:40

Sandler: Turnbull was our consulting architect—he built some buildings for us, but primarily, for about thirty or thirty-five years, he was Marion's consulting architect. So the two of them would decide who are the top young architects in the country? Who of those architects will we be able to work with—they don't have incredible ego problems? They didn't always win on that; they made some misjudgments on that.

And so we had a who's who of young architects. I don't know if you know the Esherick firm. I told you about Frank Gehry doing a building for us. We had people who later became very famous who we were hiring at an early phase in their career, by the judgment of Bill and Marion. And then they would design it and report to Bill and Marion.

05-02:06:04
Meeker: What were some of the hallmarks of the innovative useful branch designs that World Savings helped bring to the stage?

05-02:06:15
Sandler: Well, generally—and frequently, when we could—they were "look at me" buildings. They were buildings when you looked at it and you say, "Wow—that's really interesting. What's that? It's really a nice-looking building. It's clean; it's attractive. The landscaping is beautiful." You felt good about it. You looked at it, it was a positive experience. That's very subjective, incidentally.

05-02:06:38
Meeker: So, the exteriors?

05-02:06:39
Sandler: The exteriors. That was a good, interesting point you make, because that was a problem: they were architects who were terrific at exteriors, and were terrible at interiors. And Bill was very helpful on those situations, because he was very good himself at interiors as well, and he would help an architect who was strong on the external design and had weaknesses on the interior. And with Bill's help, we could come to something. Or we would mandate that they would have to bring somebody else in for the interiors.

05-02:07:13
Meeker: Were there ever any innovations that you recall in the interiors that either substantially modified or even upended the traditional stodgy—

05-02:07:23
Sandler: I don't know. We never did studies like that. We weren't interested.

05-02:07:30
Meeker: Well, I mean, I guess I'm curious about this architect—"Agora Architects," it looks like from where—

05-02:07:35
Sandler: Yeah. His name is John Campbell.

05-02:07:39
Meeker: I wonder what it was that inspired him to be so laudatory of the design program.

05-02:07:45
Sandler: That's clear. I think he mentions most of them, not all of them. He talks about a clear and ambitious program. This is what we are looking for; this is what the interior has to accomplish. You know many terribly-designed buildings are buildings by committee. Have you ever visited the Crystal Cathedral in Garden Grove, California? [side conversation deleted] It was done by Philip Johnson. What you had was an extraordinarily terrific architect who is very opinionated and a client who is also very opinionated. And through the two of

them, you came up with this extraordinary building. Marion and I had the good fortune of visiting it with Bill Turnbull, and Bill explained all the historical references to—which an ordinary layperson wouldn't know—going back to the Middle Ages as to what Johnson incorporated in this extremely Modernistic building. It was a thrilling experience for us.

Most buildings are done by committee, or they are impacted by the architectural review committee of the city in which the building is being built. God save me from amateur architects and designers. That's awful. So it was a clear program about the interior, and we were trying to get the best work from them, best out of them, for the look of the place. And it was a great challenge to them, and they loved it.

Architects are a peculiar group. Frequently, they think it's their building. So occasionally, they will come up with something which doesn't—it's an interesting idea, but it's antithetical to the function. And you have to explain to them, "You can't do that." And then some of them, you get into these enormous battles with them, and it's as if it's their building, and they won't give you any drawings, and they just stop working until you agree. And we would fire somebody like that. But the egos are a problem.

So they had a clear program, and they had coaching design from Bill. And Bill's coaching design is so gentle. It's not like, "Oh, you mustn't do this." He said, "You know, I see that's really very interesting. Do you think if you turned the corner here—? What do you think of that?" And the guy would come in: "You know, that's a really good idea!" And he would come back with four or five attempts to do that, and it would be very exciting when they do that.

There's a wonderful story with Bill. They use that tracing paper? And so Marion would say something, and "That's a problem, Bill. We can't live with that." And Bill would take out tracing paper and he would do—"Well, what about this?" And then he would do another. And he might do four or five, ten of them right then and there; he was so incredibly fast.

So, many years later, he won some very major award which took him to Rome for a couple of months. And there, he did some paint—not paintings—drawings. And we went to the exhibition at the gallery in the Jackson area where all the galleries were at that time. And Marion and I turned to one another as we looked at these drawings. Marion said, "If I had only saved the thousands and thousands of drawings that he did! They are selling them for 350, 500, 750—we could be rich!" Because that's what they were. They were the kinds of things that he would like to do. And they were all fascinating, but when you got the one you wanted, you moved on.

05-02:11:51
Meeker: One final question on this. So did you ever have a conversation about—you know, I think of Home Savings. They had that big—

05-02:12:00
Sandler: The mausoleum. And I forget the name of their architect. It was a joke.

05-02:12:06
Meeker: Right. So, but their idea was imposing edifice: this building is going to be around for a long time; the institution's going to be here; there is that massive seal or whatever they had. I remember as a kid, like always thinking, "Wow!" Like I want to go in there.

05-02:12:22
Sandler: I know all about it.

05-02:12:24
Meeker: But then you guys did more contemporary, clean lines

05-02:12:27
Sandler: Yeah. But I know all about the background of that. So Home Savings was owned by Howard Ahmanson. Howard Ahmanson had a favorite architect, whose name I am forgetting at the moment. I'll think of it at some point. And he told this guy the kind of look he wanted to have, which was because he wanted to be the big guy. He wanted the big, physical, and all the buildings he built for Howard were that design.

And I had this really funny situation. I am in Colorado, where Home Savings was not. And I see a building which is exactly like the Home Savings building, except—I can't remember the name of it; I think it was "Columbia Savings." Oh, I'm blanking on it. God. And I'm a friend of the then-CEO of Home Savings, so I immediately take a picture of it and I send it to him, and I said, "Somebody is stealing your stuff, Dick!" And Dick's the one who told me about the background of the design.

And the story was that Jules Stein of FMCA was on the Home Savings board for a while—he was a friend of Howard's—and he always liked Home's buildings. He bought a company—a savings and loan in Colorado—and he hired [laughs] the same architect! All he had to do was take his drawings for which Ahmanson had already paid, use the same drawing, and he did the same building. Instead of saying "Home," it said "Columbia" or whatever it said. One of these really funny, strange stories.

05-02:14:19
Meeker: Well, how, then, did you guys come up with a completely new style that didn't rely on that vernacular of—

05-02:14:27
Sandler: We collected art, and so we were familiar with the contemporary scene—and it was a scene we liked. So the question you could ask is "are we imposing our

aesthetics on our customers?" We did a lot of thinking about that, and we felt that to have the openness and the color was critical, and typically, that goes much more with a nontraditional way of doing things. Clear class, strong lighting, strong colors. You can't have clear glass in a dingy interior. It just doesn't work.

05-02:15:16
Meeker: You know, the neoclassical building I think was meant to inspire confidence and have people see this as a permanent institution. I think clean lines and glass also communicate something.

05-02:15:33
Sandler: Yeah. People came in there and they smiled.

05-02:15:39
Meeker: Were you going for a sense of transparency? Or I mean, were you thinking about it along those lines?

05-02:15:43
Sandler: Yes, yes. Transparency is very important to us, in everything.

05-02:15:50
Meeker: So there was a real tie-in with the architecture?

05-02:15:52
Sandler: Yeah. I don't think we saw it in that way, necessarily. And I mean, actually, but for this interview—I have been making connections that I had never thought about before. I mean, I was stunned the other day when I thought of the thing I mentioned to you: that the Van Shaw incident of 1963 was really the savings and debacle *in minimis* of fifty years later. Exactly the same thing: people giving plans that made no sense. And you were a pigeon ready to be taken.

Somebody I knew who was fairly important in the savings and loan industry who had always been a single-family lender, he participated in a $30 million or $40 million loan on a hotel on Times Square. What he knew about the hotel business you could fit into a thimble. It went into bankruptcy at least three or four times after that. A total loss. Yeah. But he thought he was so smart, and he had a big ego. And of course, they know how to stroke your ego. Salespeople do a lot of stroking. That's when I get nervous.

05-02:17:12
Meeker: They are good at that. Right. I bet. Okay. Shall we wrap up today?

05-02:17:16
Sandler: Sure. Thanks very much. [laughs]

Interview 6: April 11, 2017

06-00:00:03

Meeker: Today is April 11, 2017. This is Martin Meeker, interviewing Herb Sandler. This is interview session number six, and we are again at the offices of the Sandler Foundation in San Francisco.

Last time, we spent a good deal of time talking about Marion's reputation in the company, the way in which she inspired particularly female employees of the company, and the general question of gender at Golden West. So how did Marion fight against, bump up against, and surpass the glass ceiling? What was the role of gender at Golden West as far as did it limit opportunities for women, or were women given the opportunity to rise up the ladder there as well? So I know that you have a few more remarks along these lines, and so I'm just going to, with that preface, ask you to start.

06-00:01:23

Sandler: Well, Martin, your questions have caused me to think more deeply about that whole issue of this young woman who graduates Wellesley, and then in the Harvard-Radcliffe program, not being able to go to the Harvard Business School; being an all-star at Dominick & Dominick, a premier firm on Wall Street, and it being made clear she can't be a partner; a superstar at Oppenheimer and Company, and it's made clear to her she cannot be a partner; and her persistence and a desire to achieve her most maximum impact in a world in which women were given the less important jobs, and paid less. So I think we did discuss last time how we hired women as branch managers, which changed the lives of tens if not hundreds of thousands of women who became branch managers, supervisors, district managers, regional managers, division managers—which meant an enormous number of people working for them. Both in the savings arena and in the loan arena, were the first women appraisers, the first women loan salespeople. Moving women into the executive ranks, and having a board composed of a majority of women. Those were things that were just done.

But the picture that I don't think I'm satisfied with yet is trying to explain what Marion was like. So in the last discussion we had, there were some quotations from people, of some women of eminence like Laura Tyson, who had been chairman of the Council of Economic Advisors, Shelby White, a very well-known journalist, Cecile Richards, the head of Planned Parenthood. But as I was thinking about it—and I mentioned this to you offline—it's kind of like eight blind people asked to describe a camel, and everybody has a different description. And I think her uniqueness makes it worthwhile, giving that a little more time.

So I looked at some of the things that I received from people in a different arena. So there was an employee by the name of Pat Blaney, and this is what she said of Marion: "One of the most influential women in my life. I don't

know if she knew that. As I am building my own business, it is her words that echo to me each and every day. She always encouraged us to make our own way, and not to expect others to do it for us. She was a champion for women in business." I picked out a few letters like that because they represented hundreds of other letters.

06-00:05:02
Meeker: Do you mind if we just sort of pause on that one?

06-00:05:04
Sandler: Of course!

06-00:05:05
Meeker: So this is interesting, because there are different sensibilities about the role that people in power are supposed to play in helping inspire or give assistance to people who are not in a similar position. There is the sort of giving of resources, right, which presumably will allow people to self-start. Or there is a setting of high standards, which means that by setting the high standards, it creates an environment where people know that throughout your life, you are going to be expected to perform well if you want to succeed. Was it this latter type that—

06-00:06:11
Sandler: It was all of those things, but clearly, setting high standards, giving you the tools, giving you the training, and making it clear that it was a meritocracy, and your gender or race was irrelevant. We weren't just interested in that. But Marion was a standard setter, and that was, I think, one of her greatest attributes, is she did not accept mediocrity, and she always pushed, and she gave you the support and assistance that was needed.

06-00:06:45
Meeker: You know, I've done a lot of corporate history, and one thing that you see start to happen in the 1960s, really throughout the seventies, and then into the eighties, is the emergence of preference and affirmative action programs, so that there is an attempt to ameliorate past injustices. And what it means is that it's not a true meritocracy that is being run: it is trying to create different standards so that past injustices can perhaps be ameliorated. Did she have an opinion on that approach to achievement?

06-00:07:39
Sandler: Well both Marion and I had very strong opinions about affirmative action. On the other hand, we did not accept mediocrity. So for example, if you remember Prop 209, which was ultimately supported by the Supreme Court—it had been knocked down by a friend of ours, Judge Thelton Henderson, and he was reversed—we were actually the only corporation to provide financial and other support to the opposition. I have a letter someplace from Public Advocates, which is an aggressive activist organization locally, that noted that we never got the credit that the company deserved for standing out alone in that fight. I actually know a lot about that, and if you want to discuss that

separately, I think you might find that interesting, because it was a horror story of cowardice. So if you want to make a mental note to discuss it; it doesn't really fit here.

Let me just go on with a few more. I'm trying to draw the picture. Then there is somebody who was a clerical employee who says, "Mrs. Sandler was a very special woman to me. As a woman in a male-oriented field, Mrs. Sandler was my beacon of life. She was the woman who inspired me to stick with it and persevere. She showed everyone in the company that gender didn't matter, and that with hard work and a commitment, anyone can achieve their goals. She and Mr. Sandler created a unique company, World Savings, a company in which, once hired, you became part of a family." So we are talking about these high-powered women—the Cecile Richards and Laura Tyson; here is a couple of junior people. One is clerical; another one is a junior supervisor.

I have a note here that I want to find [looks for a paper note].

So I'd like to move on to a letter which gives you an insight from a different angle. And this is from a woman whose name is Judith Gueron, who was the head—the CEO—of MDRC at one time, known as Manpower Demonstration Research Corporation, which does evaluations of what works in areas of poverty, education, criminal justice, et cetera.

And here is what she says [reading from the note]: "Oh, what a sadness. I can only begin to imagine your grief at the gut-wrenching loss of your extraordinary lifetime partner. I know that no words can relieve that heartache, but I do want to reaffirm her remarkable legacy. I knew Marion as a woman of purpose and passion. Under what might appear to some as a cold or contained shell was a strong, brilliant, and charming woman who brooked no stupidity and wasted no time. She did her rigorous due diligence, [clears throat] but once committed to a person in her organization, she focused her energy on assisting, inspiring, enabling, and prodding people to greatness. With Marion in your corner—and if you delivered your share—one could feel confident that in a rock-hard way, she was there for you as a confidant, co-conspirator, and strategist. At a critical time in our history, she spurred me—and thus, MDRC—to step up to challenges in ways I did not think I or we could. Marion made a difference in the world, and most importantly, a difference for the good."

Oh, get the personal stuff out.

"The forces for progress and truth suffered an irreplaceable loss at her death."

So there is a highly intelligent, effective woman, sees this constrained outer personality, but then came to understand what was beneath that, and the force and the caring—and actually, the love—that came with it.

The next one is another piece, another look at the camel, by kind of a superstar of the next generation: a young woman, Rachel Kleinfeld, who is a brilliant young woman, and who actually really didn't know Marion. And you'll see why in a minute: "This week, the world lost a woman of valor. Marion Sandler was one of the first and longest-serving women CEOs of a Fortune 500 company. A pathfinder in the financial world long before women entered those halls, she was one of only two women working on Wall Street when she began." Oh, I'm going to skip the part about us. Well, maybe I can't. "After marrying her husband Herb, a lawyer, the duo built a financial institution lauded for its treatment of its workers.

"They also built a legacy. Together, the Sandlers contributed more than $1.3 billion to a foundation that would move America in a progressive direction. The foundation has given more than $150 million to basic scientific research. They founded ProPublica, an investigative news organization, helped start the Center for American Progress, the Human Rights Center, and the Center for Equitable Growth at Berkeley. They also contributed to organizations from Human Rights Watch to the American Constitution Society, the Center on Budget and Policy Priorities, to the Center for Responsible Lending. And they gave what to them was small, but to us was essential: support to the Truman National Security Institute as we were getting off the ground, and continued that support as we expanded.

"I did not have the honor to know Marion personally. National security was not what got her out of bed in the morning. But she was as tough-minded with progressive infrastructure as she was with her business decisions. Progressives needed a voice on national security, and she wasn't going to let her feelings get in the way of doing what needed to be done. Their support made us proud because, true to her way, they conducted immense due diligence on us before giving. We knew that they had taken the time to understand what we did, and to ensure that we did it well.

"The national security field, like Wall Street, is a male-dominated land. The women of the Truman Project talk frequently about their need for role models: women who have had successful careers and families, who have been tough and respected; who have lived their values and made an impact. Marion Sandler was all those things and more. While progressives have lost a lioness, she will live in all that she started."

Totally different, off-to-the-side view from a perspective of a woman in a male-dominated situation who herself is a superstar. And her insight there, I thought, really got to me as really being rather deep.

06-00:15:53

Meeker: Did she send that to you as a personal letter, or was that something that—?

06-00:15:57
Sandler: I'm not even sure she sent it to me. No! She posted it on their web site, because she wanted it to be seen by other women.

I just have a couple more, but you are going to see another view of it. So, another one. You've spoken about Marion's exterior; Gueron referred to that "cold, contained exterior." So here is another view which is quite interesting, if I can find it. It's from somebody named Reva Segal, who is probably one of the most significant women law professors at Yale, a very major figure, married to Robert Post currently. I found this kind of amazing for its insight, as one might have expected, because she is an exceptionally bright woman:

"I am still learning about Marion's prodigious talents, her creativity and confidence, and about the different kinds of barriers she broke. I didn't appreciate much of this when I first met her; I was simply and immediately struck by Marion's penetrating mind, her spirit, evident commitment, and her astonishing kindness. I came quickly to understand that Marion was someone considerable, and looked forward to our meetings for the conversational adventure they promised. But through all those meetings, starting from the very first, I could never make sense of Marion's kindness. It was so great, so unexpected, so unwarranted and unearned, so persistent. Starting that first night at dinner, she seemed to understand my despair about migraines, and she was determined to encourage me to keep looking for ways to make living with the migraines more tolerable, as she had.

"I don't want to write about my own struggles with pain, which pale in the face of the conditions with which she lived. I want only to say that there is no one who has reached out to me as she did, with full appreciation of pain, and with a spirit to resist what seems unremitting, and the determination to find a way out. She encouraged me to fight as she had fought, and did so with such gentleness and firmness. Year after year, her inquiries about my situation in the midst of her own always amazed me and inspired me when little else has.

"Marion inspired me—and inspires me—in her brilliance and passionate commitments, and her trailblazing accomplishments. She moved me—and continues to move me—to search for ways to enjoy life even when life itself stands in the way."

Pretty heavy. Pretty heavy. Another perspective of somebody with a, to some, cold exterior.

06-00:20:02
Meeker: The kindness that she was speaking about there, did you get a sense that Reva experienced that primarily as an empathy around the challenges of health problems?

06-00:20:19
Sandler: Because Marion felt Reva was giving up; that there was no light at the end of the tunnel. And Marion wouldn't let her give up, and forced her to keep trying, and to create some optimism and hope in these horrible headaches from which she was suffering.

Bear with me, because there is one that follows this in tone a little bit, but that unpeels another part of the onion, if I can find it here. Just another moment; it's someplace.

Here it is. This is from Juel Janis, who is a friend. I think she has two PhDs in public health and something else, whose husband had died a few years earlier: "Her gentleness, her warmth, her perceptiveness, and her absolute commitment to truthfulness set her apart. I so appreciated her lack of interest in idle chatter. Even though I saw her way too infrequently, she was always a central part of my life. I never had a boring conversation with her. She was a great listener, and unfailingly made succinct and wise comments about whatever topic we were discussing.

"Yet those are just a few of the reasons I loved her. Some people simply become a part of you, and for me, she was such a person. Her kindness to me after Jay died is something I will never forget, and is simply another example of who she was. Specifically, after Jay died and during a period when I was feeling especially fragile, she would call me weekly. And what was so special about that is that she was always able to listen to me, and really listen to my pain, and allow me to cry if that's what I needed to do. She did this without having to change the subject or provide clichéd condolences. And that is truly a rare quality. Few people are able to tolerate the pain of others, yet she did it with grace and caring."

Now, the unpeeling of the onion.

06-00:23:27
Meeker: Well, I think that very clearly answers the question I asked around what was meant by "kindness."

06-00:23:35
Sandler: Yeah. I just have two more short ones, not by women, in this case, but by—well, one of them is somebody who I probably personally admire as much as anybody in the world, Bob Solow, who is in his nineties today, and who Marion got to know at the Clinton economic summit. He is a Nobel Prize winner from MIT in economics, and just a brilliant, extraordinary, wonderful human being. And he had been the chair of MDRC, the organization that Judy Gueron was the president of. And he just had this little note:

"From the first time I saw Marion knitting away furiously and not missing a single thing that was going on, I knew she was something special. Her whole presence said"—quote—"'Let's cut the chit-chat and get to the issue.' That

directness and lack of pretense is rare in my world, and any world, and I admire it totally. And this before I knew anything of her achievement and yours. It's possible that someone like Marion makes everyone around them better, unwilling to look like a stuffed shirt in her eyes. I would have admired her even if she hadn't turned out to be a sweetheart besides, but she did."

And the last one is from a senior manager, which I think gives you one last sense of her. And this is repeated by many others that I've seen, if I can find it. Give me a moment. His name was Dan Dixon, and it's just a pithy quote: "Marion was a great teacher, and sometimes it felt like I couldn't please her. What I eventually learned was that it had nothing to do with pleasing Marion. It was all about doing the right thing—exactly the right thing—for the customers, the other employees, and the company. What a lesson for life."

[side conversation deleted]

06-00:26:33
Sandler: I picked out ones which were representative, but, for example, the thing of always doing the right thing, you see that quote again and again, and again. There was nothing personal. There was no baloney. It was what's right and fair for all of the affected people.

06-00:26:53
Meeker: Well, the thing that I find quite interesting is that clearly, upon first meeting her, people would get an impression of somebody who—

06-00:27:04
Sandler: Shy! [laughs]

06-00:27:05
Meeker: Well, shy, or reserved, or closed; maybe a little steely at times. But when they came to know her, they found a true kindness. And that example of being with someone in their pain or in their mourning and not being uncomfortable with that pain or mourning is a true sign of kindness, I think.

06-00:27:38
Sandler: Well, there is something else in life that one learns. I don't know; you must know people like this: "Oh, if you ever need anything about such and such, just call me." And the infrequent times that you call, you find they are not there. Marion is always there. She is never not there. I can't tell you the number of women whose husbands died who came to Marion to help them through the morass. They didn't know what money they had. They didn't know where the money was. They didn't know how to go about it. And Marion just dropped everything and solved all the problems. So she was always there.

I have a particular dislike of people who are offering and are not there.

06-00:27:37
Meeker: Should we talk more about her health problems?

06-00:28:41
Sandler: Oh god, yes. I don't know. It's so extensive. I'll try to stay focused.

06-00:28:47
Meeker: Well, maybe go about it chronologically.

06-00:28:49
Sandler: Well, no. There are two things. And then from those two, so much else followed.

So, Marion was a severe asthmatic. By that, I meant she could not live without a significant dosage of steroids every day. Every doctor told her she had to stop because of the toxicity, and whenever she tried, she had severe attacks. By the time I met her, she was not going to listen to any doctor telling her to stop.

And then I had an early experience with her after we were married. We were in the Hamptons, and I remember we saw a French movie. I can remember it to this day: a movie called *Fanny*, starring an old French actor, Raimu. And she was very teary and crying; you know, it was a tearjerker. And she wasn't feeling well, and started to get an attack, and we drove back to the city and the attack got worse. And I called her doctor, who hospitalized her. I went to the hospital, things seemed to be under control, and she and the doctor said, "Go home. It's only ten minutes away. You can be back if we need you. We are not going to need you. Don't worry about anything." And about an hour or two later, after I was home, I got a call, urgent: "Come to the hospital."

And what had happened is that Marion's attack got much worse, and she couldn't breathe. She was in an oxygen tent when I arrived. And she had told them to call me because she thought she was dying. Then she survived. One thing that came out of that through Marion's many hospitalizations over the years: I never left her for a second. I slept on beds, cots, Barcaloungers, chairs, and the floor. But I have never left Marion alone in the hospital as a result of that incident.

Well, that's severe asthma, and she could tell when it was coming on, usually triggered by a cold; I forget what virus it is. And she started that when she was in Wellesley, when she was about 20—obviously, before I knew her. And I think I mentioned when we had our true confessions, I told her about my father's gambling, and she told me about her asthma. And I said, "Oh, that doesn't bother me. That's nothing." And it turned out to be quite a bit, and it is very hard for me to watch her having difficulty breathing and seeing it coming on. What she had to do when she would get those attacks is she would move from her already-high dosage of steroids to an astronomical dosage. So

if she were on six or eight prednisone a day, she might go to sixty or seventy. Which affects you emotionally, physically—in every which way.

06-00:32:16
Meeker: And so she was on doses of prednisone every day?

06-00:32:20
Sandler: Every single day, her entire life. Her entire life. Her skin was incredibly blotchy, extremely thin. If she fell—and she fell many times—I couldn't stand it. She was annoyed, but for me, it was incredibly painful, because you could see into her leg. I could see the fat and the stuff underneath it.

And then she had ophthalmic migraine. Now, that is somebody who does not get the painful headaches, but gets the auras. Swiss cheese: you see Swiss cheese when it's mild. If it gets more severe, she cannot talk. And the most frustrating of all is she knows what's happening and she cannot communicate, and she's trying very, very hard to say words, and she can't get the words out. Somebody who is such a brilliant person cannot articulate anything.

And here is the part that's really horrifying: when you go on these large doses of prednisone, when she had to do that, she wanted to get off the dosage as fast as possible. Unfortunately, it turns out that if you come down off the prednisone too fast, it will trigger a migraine. So here she had to figure out how to—this happens all the time; it's not just once in a while—come down fast enough so you avoid something else, which I'll describe in a moment, or you'll have migraine.

06-00:34:30
Meeker: You said this happened all the time. Is this a couple of times a year?

06-00:34:34
Sandler: Yeah, at least. There were periods when it was for a longer time. We moved to California and for quite a while, she was in much better shape at the beginning.

But the horror is it turns out that when you take those large doses, if you can't get them off fast, you lose muscle strength. It's called "steroid myopathy." And I remember we were in Maine when it happened for the first time, and she was on a very high dosage. And her brother was advising her to get down as fast as she could, but because of the migraine, she was coming down slowly. She couldn't get up out of a chair. When we got home, which was difficult, she had to take physical therapy to be able to get up out of a chair again. See, these are byproducts.

So you are trapped between not breathing, not being able to express yourself or articulate your thoughts, and not being able to physically do anything. All the time she is running the company, and working in the later years on philanthropy at a level of brilliance that is essentially unequaled. And virtually no one knew what was going on. She never showed it. We would cancel a lot

of things because of whichever one was the problem at the time. In addition, a lot of the treatments for ophthalmic migraine have been what you use for epilepsy. And they are toxic. And she was hospitalized several times from the toxicity of the drug she was taking.

06-00:36:37
Meeker: It sounds like she had a difficult time finding a doctor.

06-00:36:44
Sandler: No, no. I'm saying she would find it difficult at the time finding a doctor who didn't bug the hell out of her about getting off steroids. But if she tried to get off steroids, she would have died. Interesting choice: do I listen to the doctor and die, or do I do what my body tells me I have to do and suffer the consequences? So she had cataracts, she had hip surgery, she had skin thinness, and she had all the things I have described. Frequent falls. I would say of the vacations we went on, 50 to 70 percent of them, she had accidents which required severe stitching and problems, because what would be for us a minor bruise for her became a serious issue.

So that's what life was like. Nobody really knew anything about that, just as Shelby White noted, she knew her warmth, she knew her brilliance, she knew how much fun she was, but she didn't understand what was happening behind the scenes, as it were, throughout her entire life.

I can go through her other illnesses, if you want. She had a life-threatening urinary infection tract, from which they thought she was going to die, and she was in the hospital until they finally found what could kill the bug that she had.

06-00:38:26
Meeker: Well, I think I've pretty clear described some of the intense stress—physical and thus, I'm sure psychological stress—

06-00:38:34
Sandler: And in the meantime she was laughing with the children, and playing with the children—

06-00:38:40
Meeker: You know, from where you sat, how and what did she develop as a coping mechanism for dealing with these difficulties?

06-00:38:48
Sandler: She was always optimistic. The total optimist: "We are going to work everything out. Everything can be solved. Think positively." I am not like that. I am a worrier. And for me, the part for me is it's extraordinarily painful. My heart was always terrified, because this person I loved so much, and who meant everything to me, was going through so much trauma, and so much problems.

06-00:39:19
Meeker: How did you, then, develop a mechanism for coping with the fact that your lover was in such pain?

06-00:39:27
Sandler: I don't know. Actually, I think one of my weaknesses was I knew every time she fell, we are going to have a problem. We were very lucky that there was a doctor at UCSF who was in charge of cosmetic surgery who was a son of a roommate of one of Marion's brothers, Bill Hoffman. And anytime that happened, I would call Bill or send him an e-mail, and he always showed up because as soon as I knew he was there, I knew he could handle everything brilliantly. He, for many years—ten, fifteen, twenty years—would come up no matter when it was or whatever it was, he would show up and take care of her. He had a wonderful touch, and you had total confidence in him. But when Marion would fall, I would be in agony and I would scream, because I couldn't stand it. And she was much braver than I was.

It's hard to believe that somebody with those kinds of things going on is still operating at this unbelievable level. And remember, when you get a cold or I get a cold, at least in the old days, it's annoying at worst. When she got a cold, all alarms go out. Is this going to be the one? What do I do to avoid having it get to the next level? Is it under control now? Oops—it's moving to the next level. What do we do? What's the strategy? And then the migraine on top of that was horrifying. I don't know if you looked at that talk I gave reading Marion's speech at the Working Women Conference?

06-00:41:37
Meeker: No. I need to find a disk player!

06-00:41:43
Sandler: That was, she had a migraine, couldn't get out of bed.

06-00:41:51
Meeker: I mean, were you constantly operating under this fear?

06-00:41:56
Sandler: Always. We would cancel engagements all the time. That's the only time people knew that. They knew that she was very susceptible to colds, and all of our friends knew if they had a cold and we had a dinner appointment, they would call and say, "I've got a cold." And then we would make the decision as to what day of the cold it was, whether they were still contagious, et cetera, et cetera. Lots of cancellations. But we had each other.

06-00:42:28
Meeker: Did you or Marion put your faith in anything else? I mean, sometimes people look to philosophy, or religion, or medicine.

06-00:42:38
Sandler: Well, medicine, except we realized how little was known. And interesting: as you may know, we spent over $100 million in supporting research on asthma.

We didn't expect to find anything during Marion's lifetime because we had become sophisticated enough to understand how long these discoveries take, if you get the discovery, and how long it takes. But it fit with our general concern because it disproportionately affected—we did the research initially because of Marion's illness, but then after we did the research, we realized we had to be in this field because it disproportionately affected children, it disproportionately affected poor children of color in inner cities, which is consistent—the golden thread which ties together so much of our interest. And then she came up with that absolutely brilliant idea about attracting the most brilliant scientists who had never worked in asthma before.

So we changed the science. We changed the world of research in asthma. Asthma is now a highly accepted place to do your research no matter how good you are. Before, it was a bottomless, dark pit, and none of the top scientists were interested on working in the field. And we changed that, and we didn't get a drug yet, although we have had several in trials. But an enormous amount has been learned, and at some point, some of these discoveries will lead to something.

06-00:44:22
Meeker: Well, prednisone is still the gold standard, isn't it?

06-00:44:46
Sandler: Well, to control inflammatory diseases. There is one thing pending that is exciting; I don't know if I talked to you. One of the grants of a few years ago was to somebody who was attempting to reduce the toxicity of prednisone. I have nothing to do with the grants, but when I was advised by our advisory committees that that was one individual they gave a grant to. Well, it's moving along, and it's in trials now. And this is the most recent number, because it's much better than we thought—what it does is the efficacy of a milligram of prednisone is increased ten times. What that means is that let's say Marion was taking ten milligrams a day to keep herself going. If this proves out, she would have only had to take one milligram a day, which meant that the toxicity associated with ten milligrams—which is very, very, very high and very damaging—will no longer be needed, if I'm only taking one milligram a day. So that's something I'm following very closely, because I know how important it is to anybody in Marion's situation, where prednisone is needed. Hopefully, those requiring steroids will suffer much less toxicity.

06-00:45:58
Meeker: Was there anything that she felt that she couldn't do because of this circumstance?

06-00:46:05
Sandler: No. It did not impact anything at all. Marion: "We'll solve that. We'll deal with this problem. I'll control it. I'll stop it. I'll work."

06-00:46:20
Meeker: So there was nothing in work or play that she decided she couldn't—

06-00:46:23
Sandler: No. Other than when the colds came, she was under the weather, and we were very, very careful and nervous. I was very nervous. She was nervous, too, but constrained.

06-00:46:39
Meeker: You know, kind of a bit of an overlap here: you two ended up having two children, James and Susan. Can you tell me about the family planning process, if you will? I mean, when you first met, did you talk about wanting to have kids?

06-00:46:58
Sandler: Yeah.

06-00:46:59
Meeker: Was her health ever a consideration in that decision?

06-00:47:03
Sandler: No, not to my recollection at all. I think we both wanted children. Her main concern was how would she be as a mother, which I always laughed at, because I knew she would be fantastic at that as she was at anything else.

06-00:47:19
Meeker: What was the nature of her worry?

06-00:47:21
Sandler: I always played with children, so I'm the kind of guy—I do it to this day—if I walk into a room, there's a little kid, I'm immediately playing some game with a baby. I'm great up until two or three years old. [laughs] You know? I am terrific with kids. I am the one who always gets the smile out of them. Marion didn't have that experience, so she wasn't sure. And she was fantastic—an incredible parent. I mean, warm, loving, incredibly affectionate, playful, making them laugh all the time. And most important of all as a parent, consistent. I was always a weak parent. I would either overreact or under-react, and she was always consistent, which is, I think, extraordinarily important.

And, of course, it changed our lives, because we were working continuously. The person I love, I am spending twenty-four hours a day, seven days a week; neither of us either traveled without the other. We were always together. And so if business was the most interesting topic, which it usually was, we would talk about business. And we had to make rules, actually, before the children were born that we'd stop at a certain time when you get too close to going to sleep, because you'll keep thinking about it and you won't sleep. But when the children were born, and when they became sentient human beings, we stopped much earlier, and all of our attention was focused on them.

Since we both worked, the children were kept up later. We wanted to see them, so when we would come home, I remember I would always have to close the garage door, and I would always make sure—"Marion, you don't go in ahead of me!" Because they would both leap out at us once they reached that age, and that was the best time of the day.

Our social schedule was extremely limited. We rarely went out. I became active in the Oakland Symphony, and so all our social events were in connection with the symphony because we didn't want to go out other than that. So if anybody invited us, the kids came with us.

06-00:49:57
Meeker: When were your children born?

06-00:49:58
Sandler: Sixty-four and '66.

06-00:50:03
Meeker: And so '64, shortly after you moved to California, and—?

06-00:50:07
Sandler: Yeah. I've got pictures when Marion was working, doing work, and when Marion was totally pregnant. She's doing branch applications or working on something.

06-00:50:19
Meeker: And James is the oldest, correct?

06-00:50:21
Sandler: No, Susan is the oldest, is the older.

06-00:50:24
Meeker: I'm curious about these conversations you had in advance, trying to—I don't know if "setting out ground rules" is the right way to describe it, but coming up with the guidelines for how you want to be parents.

06-00:50:37
Sandler: Well our concern was that kids aren't interested in that kind of stuff. The only way the kids participated is frequently on weekends when they were quite young, we would go on drives to go someplace, but we would always try to visit offices, branch offices, to see how they were being maintained—were they clean, were they orderly—on a weekend when we were closed. And after a while, the kids figured out where the staff kept the sugar cubes for the coffee they served. So Marion and I would be walking in, and they would be trailing along behind us, and they would go to the desk—after a while, they knew exactly where they were kept—to grab a sugar cube. I have very fond memories of that.

06-00:51:34
Meeker: What were your hopes and dreams for them? What kind of life were you hoping for your children?

06-00:51:50
Sandler: Both of us wanted them to be good human beings.

06-00:51:58
Meeker: What does that mean?

06-00:52:00
Sandler: Caring about others. So there came a time when it became clear we were getting pretty successful, and starting to have a lot more money. And we built our home—our big home, which I sold after Marion's death—in 1972 or '73, and it was a large house. And we debated long and hard: could that affect them? Could this make them "the rich kids?" Could they think they were something special? When people talk about us or write about us, they write about the incredible record we had—the second-best growth in American history in long-term growth and earnings per share over forty years—and they talk about what some people regard as unusually effective philanthropy.

But actually, our greatest success is that these two kids, despite the potential to turn out as stinkers, turned out to be extraordinarily decent, good, caring people. So each of them have some money because we used to make annual gifts. Susan has no children, but she and her husband are giving away 100 percent of the money they have. And Jim is giving away the vast bulk of the money he has. And each independently gives separately from us and the foundation. They have their own thing that they do which they have their own particular interest in. And they are caring people with terrific values, and I can't tell you how happy that made Marion and me, and still makes me. They have turned out to be terrific. I actually like them as human beings.

06-00:54:18
Meeker: You know, at this point in the early seventies when the company is going well, you are debating about whether to build this house or not. Do you recall any of those conversations, and the fears—but also you did go ahead with the house, and so you must have come up with some sort of ideas about how you were going to teach your kids?

06-00:54:45
Sandler: Well, you don't teach kids by saying, "I am going to teach you." You try to share things with them. At different ages, they have different levels of interest. We always tried to talk about current issues at the table, at the dinner table. Sometimes, they were interested; other times, they weren't. We wanted to know what they were doing that was interesting. There are stages at which they are interested in telling you, and there are stages at which they are not interested in telling you. But they managed to get through all of those periods and came out at the other side as really terrific people. And I'm very proud of that.

I do have funny memories; in retrospect, it was so silly. You know, during Hanukkah, you make wishes and you talk about things. So lighting of the candle every day was a big deal. And this would be in the late sixties, when they were four or five years of age. My father was ill; he died in '73. We would talk about Vietnam and why that war was wrong [laughs] to these four-, five-, or six-year-old kids, who probably had no understanding at all what we were talking about, and about my father's illness. And then we would pray that the war should come to a conclusion, and that people would stop killing one another, and that my father should hopefully get better. We did it at a counter, and Marion and I would be standing, and they would be sitting in a higher chair so they were at our level. And that was really quite a lovely period. In retrospect, I have no idea if they knew what the heck was going on.

06-00:56:54
Meeker: Yesterday was Passover. Did your family do a Seder every year?

06-00:57:00
Sandler: Marion would do that. She cared more about the tradition than I did. I don't believe. I don't have a religious belief. I am interested in the moral issue. But I think Marion felt comfortable with it.

So in this case, this year, for example, the children have continued that. It happens this week, by coincidence, it is the week when Jim, his children are off from school, so they are traveling, and Susan is traveling. So we are going to have Passover two weeks late. And Susan likes to have the singing, as does Jim and his children. To me, it's nice, and if they enjoy it, I'm happy to participate. But that's it.

Our most interesting dinners of that type, for both Passover and Thanksgiving, have been with Tom Laqueur and Robert Post, because they both do a lot of research, and Tom in particular is interesting because we find out that Thanksgiving isn't what we think Thanksgiving was, and Passover is also quite different to what the reality is. So it's interesting, particularly when you have people of all ages there, for them to find out how much of it is baloney.

06-00:58:45
Meeker: [laughs] These holidays, from kind of a more secular Thanksgiving to a more sacred Passover, these might be opportunities to introduce or reinforce certain values in the family.

06-00:59:07
Sandler: Yes. Well, what we did is we always—particularly when Susan went to college, she went to Stanford, and we always invited—kind of, her assignment was to bring children who could not go home for the holiday there. So we always had a lot of young people there, and we liked that a lot. And everybody liked that a lot.

06-00:59:35
Meeker: It sounds to me like what you are describing, though, is there were values, and they were brought into everyday life, but—

06-00:59:43
Sandler: Right. And not teaching. It was just part of what we talked about, and so forth. But again, it's hard to understand what somebody at the age of six, eight, ten, twelve, fourteen, and when they really become conscious. Although what you find: a lot of things, they actually were taking it in, and you didn't realize it. There is a wonderful line—it's not original with Jim, but I remember he said something to the effect that it was amazing how much smarter I got between his ages of eighteen and twenty-five.

06-01:00:19
Meeker: [laughs] Right. You improved, not him. Yeah, I think that a lot of kids think that, too.

You know, this sort of idea that you didn't want your kids to be the insufferable rich kids—

06-01:00:38
Sandler: Very concerned about that.

06-01:00:41
Meeker: How did you teach your kids about the good fortune of the family and—

06-01:00:48
Sandler: We talked about it. I remember there was something that had an effect on us, probably inappropriately or excessively. Remember I told you that when we first bought the company, and there was the father, the eighty year old, and he had two sons in the business? Well, one of the sons, Roger, had a son who worked there during the summer. And that really affected Marion and me, because the way he handled himself was extremely annoying, a kind of "I am very special," and kind of pushing himself as if he's the big thing. And that was a factor—at least for me; I don't know how much for Marion—in not wanting the children in the business. I didn't want there to be the issue of nepotism, or the question raised about nepotism, and I didn't want them to have the potential of being spoiled. I don't know whether that was a right decision or a wrong decision, but I remember being affected by that.

We always talked about the fact that we were unusually lucky, and what our values were. We didn't do it in a lecture form, but tried to make it part of a conversation that made sense at the time. Hard to do. Hard to do.

06-01:02:22
Meeker: Were there ever times that you felt like the issue was getting away from you? That there was more work that needed to be done?

06-01:02:32
Sandler: Yeah. Well, I think Jim had a very difficult adolescence. I think he had a low self-image. I think it was hard for him. You have two overachiever parents, and his sister was an overachiever—extraordinarily articulate. Always was almost from the very beginning. And he was a late reader. And he really didn't find himself until a very fortunate thing took place.

When he was in college, he used to cut classes, and not go, and got lousy grades. And we went on a trip whale watching on a Lindblad cruise down in the Sea of Cortez, and they have a program of people who are PhDs, and the person in charge was a senior person from San Francisco State, and there were four or five people who were a little older than Jim who were PhD students, or just had their PhDs. And we never saw him on the trip except when we ate, because he was hanging out with them.

And then we came back. He had dropped out of school, and he registered, talked his way in because he was too late. He had always talked his way out, but now he talked his way in. And he just found himself. And if you look at his grades post-that trip, he was somewhere between magna cum laude and Phi Beta Kappa. Except his grades before that were fails or incompletes.

So, but he found himself on that, and that was a macro change in him. He's as generous and kind and giving and thoughtful a person as you could ever hope to meet.

06-01:04:45
Meeker: You had mentioned that when it came to Passover or Hanukkah, it was more Marion's interest, less yours.

06-01:04:54
Sandler: I did what I was told.

06-01:04:55
Meeker: [laughs] Okay. That's the secret of a successful marriage, right?

06-01:05:00
Sandler: That's right. I don't think I have it—I have looked for it—but it was a wonderful interview that we had on one of the networks. And they were interviewing Marion and me, and he had asked a question, and Marion answered it. And he said, "Well, what do you think, Herb?" And I said, "Whatever Marion says." And that got the requisite laugh, and then she said immediately, "I wish!" [laughs] And it was the ultimate putdown, which, I mean, the guy got hysterical at that point, because she just wiped me out.

06-01:05:47
Meeker: And was this broadcast eventually?

06-01:05:49
Sandler: Yeah, it was broadcast. I think I taped it someplace, but I haven't looked lately, but I remember. It was my favorite of all of the things that's been broadcast. It was the ultimate put-down.

06-01:06:01
Meeker: Well, that actually maybe is a great segue to what has become, amongst your friends, sort of a famous saying that you came up with at some point in time. You probably know what I am talking about, so—

06-01:06:13
Sandler: "I disagree with us." They still needle me about it. It's hard for me to discuss it. I'll talk about that, but our chief operating officer of many years was somebody by the name of Jim Judd. And he used to say to people when they would ask, "Who do you report to?", he says, "I report to three people: I report to Herb; I report to Marion; and I report to Herb and Marion." So you get the picture. So that's the essence of "I disagree with us."

I actually have something to help discussing that, and that would probably be a good start, because you are going to find a lot of things to ask about this. So this took place at our fortieth anniversary party, and it was Robert Post—just to identify him—who used to be at Berkeley; a very famous constitutional lawyer, currently dean of Yale Law School, in, I think, his last couple of years there now:

He said, "I can't do stories." Everybody was saying things at this dinner. "I can't do stories. Judgments, ideas, structures, perspectives stick in my head, but not stories, which is why I could never enter my father's business." His father, incidentally, was a director, and used to direct the early Clint Eastwood movies.

06-01:07:49
Meeker: Oh, really?

06-01:07:49
Sandler: Yeah. If you ever seen an old Clint Eastwood movie, you'll see the director is Ted Post.

"I am best, you know, at analyzing texts, so I thought that is what I could offer today. My text is a famous remark by Herb, famous because it has entered legend; famous because its truth far outruns its words; famous because, for that reason, it is endlessly repeated by your friends.

"There were some serious discussions setting up the Human Rights Center. Herb turns to Tom Laqueur and says, 'I think I disagree with us.' So who was this 'us' who refers to you? Not 'I think I disagree with my better half,' which could be interpreted as a remark of humorous affection. Not 'I think I disagree with my partner,' which could be interpreted as a gentle but empirical reference to a lifetime of agreement. Not 'I think I disagree with the

conclusions we have previously advanced,' which can be interpreted as merely a temporal change of mind.

"But 'I think I disagree with us.' One: 'I think I disagree with a single entity of which I am part.' Two: 'A single entity that is me, Herb, and another, Marion, but is so strongly singular that to disagree with it almost risks an act bordering in schizophrenia. Three: 'Not mitosis, exactly, but the representation of an ongoing process of adjustment within an organism, and it is, of course, the organism, today forty years old—I don't really know how much older, actually—that we celebrate today.'

"Most marriages are intimate, but limited. Partners share dinners together, or vacation, or children. Not so for Herb and Marion. Theirs is a partnership that spans the gamut: home; children; work. Reminds me of the joke about the doctor who recommends that his sixty-five-year-old patient retire, spend time at home with his wife. He soon receives an irate visit from the spouse: 'I married him for richer or poorer,' she says, 'until death do us part, but I didn't marry him for breakfast, lunch, and dinner! That's too much!'

"It is an amazing thing what Herb and Marion have constructed. How solid. How pervasive. How loving it is. It is an inspiration to those of us who are younger and less wise in the ways of love. Some might think that the secret of this 'us' that Herb and Marion have constructed is that opposites attract: Herb, with his wide eyes brimming full of tears when seeing the real suffering of others in this world; Marion, with the clicking efficiency of her knitting needles, ruthlessly planning to improve the planet. But I think that would only be a superficial vision of Herb and Marion.

"I learned the other side of Herb when—and here, I do have a story—he was playing Sasha in tennis." "Sasha" is his son whom I've known since he was a baby. "So here is Herb playing a young, strapping sixteen-year old about fifty years his junior, obviously in better physical shape than Herb, but Herb said to me in an aside, 'Just watch what I do to his head!' And if I remember right, Herb did use his psychological wiles to move right around Sasha's physical strength." And I did. I beat the little rat.

06-01:12:02
Both: [laughter]

06-01:12:04
Sandler: The last time I beat him.

"And one can see the other side of Marion whenever Herb makes a characteristically shrewd and penetrating point. She looks up, and she looks proud, and she looks sentimental, even though she thinks no one is watching, because, of course, we are all watching Herb. But every so often, I look at Marion instead, and I see the same feeling-full look, much more deeply disguised, of course, that Herb makes so patent. And I see the same thing at

our meeting of AIG"—that was an investment club—"whenever Susan or Jim makes a superlative point.

"So in this 'us' that Herb and Marion have created, there are opposites, but there are also deep similarities. What makes that 'us' is, of course, ultimately a mystery. But it is a glorious mystery, and an unparalleled success that makes even Golden West pale by comparison." There's a lot in there.

So that's the part that Steiger was referring to, is that we were one. Over fifty-one years, if we were separated thirty days, that's a lot. I'll say sixty to be on the safe side. We never traveled without the other, unless it was for a one-day trip, where it didn't make sense: I had to go to Washington or she had to go to Washington, and come back the following day. Occasionally, we would let that person go alone on that situation. Other than that, we were never apart. Twenty-four hours a day—our offices next to each other, walking in and out—continuously. There was nothing we couldn't discuss together, whether it had been the children, whether it be politics, or whether it be the news, or whether it be business. There was no topic on which she wasn't the person I wanted to speak to more than anybody else.

Neither of us ever went on any activity which didn't involve the other. One of my closest friends was somebody I would play tennis with, Joe Remcho, who died in a helicopter crash. And Joe frequently had a group of mutual friends to his home in Mariposa. And I got invited every year but I never went because, as much as I enjoyed their company, it was more fun to be with Marion. And she had the same kind of thing.

That's all strange. How it happened, I don't know. But that was what it was like. So people always talk about finishing each other's sentences? We started each other's sentences. And that doesn't mean we always agreed, either.

So that's the "us." That was what Jim Judd's referring to, is we were a separate entity. It's very perceptive. I didn't realize that I was sublimating it when I made that comment.

06-01:15:36
Meeker: So that comment was *sui generis*—it just happened?

06-01:15:40
Sandler: Really. I get needled about it today. I mean, it still comes up.

06-01:15:45
Meeker: Would you use it again?

06-01:15:48
Sandler: I don't know. Well, I don't—

06-01:15:49
Meeker: I mean, had you used it again after that for dramatic effect? [laughs]

06-01:15:56
Sandler: I was probably unconscious when I said it. It just came out. But they have never let me forget it. I mean, Tom will raise it all the time.

06-01:16:10
Meeker: Well, and you have a piece of lit-crit written about it, too. [laughs]

06-01:16:14
Sandler: Yeah. I was fascinated to see how much he saw in there. It was kind of interesting. But I thought it was interesting to me that Jim Judd was not aware of the comment. That's a different part of our life. But Jim made, in essence, the same comment: is that we were a separate entity from each of us alone. I'm not sure what he was referring [laughs] to, especially at the time when he said it, but it really hit me.

06-01:16:53
Meeker: Well, those of us who grew up in the Catholic faith are encouraged to keep these inherent contradictions in mind, you know, with the Trinity, right? I mean, it's like the Father, and the Holy Spirit, and Jesus all in one. How can that be? It's one of these mysteries, right?

06-01:17:15
Sandler: I have a little problem with that, too.

06-01:17:16
Both: [laughter]

06-01:17:16
Meeker: Oh, I know. I do, too. I mean, you go back to [Walt] Whitman, and he says, "I am large, I contain multitudes." You know? "I am full of contradictions." It's not an exact quote, but I mean, there is something about it which allows you to have an identity, I guess, that is an impossible identity in some ways.

06-01:17:45
Sandler: This isn't a fit, actually, but it just came to mind. Sometime in 2003 or 2004, Marion and I would frequently attend meetings of regional managers, and it was the loan managers, and a topic that came up, it was something about how the competition was making riskier loans, higher loans to values, or they had a teaser rate that was unusually low. And they were saying, "Boy, if we could do that this could get a lot more volume—" And the guy, in his note that he sent, said that "Herb and Marion leaped up, saying, 'We can't do that! That's the road to Hell! That's what's going to take the industry down! We must adhere to our principles!" But the idea was that what struck him is we were both sitting and we both leaped up at that suggestion at the same instant. And that was part of it, is that we would react that way.

06-01:18:53
Meeker: In the time that we have left today, I am wondering if we can talk a little bit about your burgeoning interest in philanthropy before the foundation is

established. When did giving become something that was something that you were really caring about?

06-01:19:20
Sandler: If you grew up Jewish, even though—remember, I had no money, so it wasn't relevant to me—but giving is something that's inherent. So we gave small amounts of money, looking back, to compare to what we've given since we actually started the big foundation. So I can't even remember. I could look it up and see how much I gave away, because we must have a record of it someplace.

But the big factor for us was my brother's sudden death at the age of sixty-two—which would have made me fifty-seven at that time—and our, I think, discussions of what is life about, what is this all about? And here we have so much money. And we don't plan to take it with us, and what should we do? And that led to these discussions among the four of us about that subject. And the decision was that we should give it—essentially, virtually all of it—away. What was the point?

And the question then was how to do it in a way that was meaningful, and could have impact, and change the lives of large numbers of people for the better? And then what essentially we did is we all talked about it, and then we held meetings. And at our company, we were always doing flipchart presentations.

06-01:21:17
Meeker: When you say "four," are you talking about you and your two children?

06-01:21:19
Sandler: Yes. Yes. They were involved in everything, every discussion. And you are familiar with flipcharts, right?

06-01:21:28
Meeker: Yeah.

06-01:21:29
Sandler: Because at our company, when anybody walked into a room, they all carried flipcharts with them [laughs] because they were going to make a presentation. They were all pretty damn good at it.

And the first thing we started to talk about is what are we all interested in. And everybody had a right of veto. And I remember one of the earlier ones we talked about was human rights. And in part, that was because my brother was interested in human rights, and we did want to honor him. And so that started, we did that. But what we did is we had these flipcharts, everybody threw ideas up, and nobody was allowed to say no to anything at the beginning. So you would get a big list, and then you go down the list and you find out who is really interested, how interested are you; what do we know, how much do we know. And things would be taken off the list because there wasn't enough

support for it. And then over time, we started to get far more sophisticated as we thought more deeply about it.

So we became pretty sophisticated after a while. From the very beginning, Marion and I were very interested in due diligence, because that's what our business is all about. You don't just pick things out of the air—you do research. And it's kind of funny how we started on the research. Do you remember the name Leon Levy, who was Marion's boss at Oppenheimer and Company? And we had become quite good friends. And Leon was endowing at Bard College an economics center, the Jerome Levy Economics Institute, in honor of his father. And he had hired a train to take us up from Penn Station to where Bard is. And Marion and I were telling Leon's partner, Jack Nash about human rights and our interest; he said, "Well, go see that fellow over there. That's Bob Bernstein. He created Human Rights Watch." So we walked over in the private train to Bob Bernstein, and he talked to us a little bit, and he said, "You should meet with Aryeh Neier," who was the then-head of Human Rights Watch. And then we met with Aryeh, who is an extremely brilliant guy. He gave us a lot of leads on that. By coincidence, he had known my brother.

We ended up supporting Human Rights Watch. And actually, it's interesting. We did something there that we've done since then to great effect a number of times. We became very close friends with Aryeh, and we were looking very carefully at their budget, and Marion was asking him how much time he spent on development, fundraising. And my recollection is it was something like 60 to 70 percent of his time. We said, "That's insane. Who is running the damn organization? Who is thinking about all of these cosmic issues around the world in which people's lives are being destroyed by totalitarian governments and others?" And then we looked at what their budget was for fundraising, and it was nothing!

And so we gave them a grant—it was a project grant; it wasn't general support—to give them the wherewithal to hire a competent director of development. And that became, ultimately, something that developed into one of the great fundraising operations in the country. They are incredibly successful. And you could see how you could make such a change just by asking a few basic questions. And we have done that with Human Rights Watch at different points in their history, by seeing things they needed and creating a situation in which they were able to raise a great deal of money to address that need, and catapult them into a more powerful and impactful position.

And that's been something we have done with a whole bunch of institutions, some of which I can describe to you when we get—I know you are going to ask me questions on individual entities, and I can tell you about some of those at that time.

06-01:26:42
Meeker: Your brother, what year did he pass away?

06-01:26:45
Sandler: It was in 1988. And my mother was living out here, having had a stroke, in the Jewish Home for the Aged. And that was one of the most difficult things I ever had to do, was come back—and I was away for X days, to help back there—and to deliver the news. And that was quite terrible. But she guessed something was wrong. First of all, unlike Marion, she was always totally pessimistic and always assuming the worst will happen, whereas Marion always figured that the best is going to happen, and if not, we'll make it happen. She knew that I was away, because I saw her all the time, and so she was very anxious when I got back.

06-01:27:48
Meeker: So prior to '88 when the family gathers together and really starts to think specifically—

06-01:27:57
Sandler: That's when it became much more organized and plan-full. And we kept building on that. The first staff was in 2006 when we sold the company.

06-01:28:10
Meeker: So prior to '88, when you really do start organizing, what kind of giving were you interested in?

06-01:28:18
Sandler: I can't really remember. But they were small. You know, I look now, we have given away, I guess now, over $800 million. And most of our grants are in the millions. So when you look back, it was peanuts, whatever we were doing before then. I will go see if I have any records between now and the meeting, and maybe that may refresh my recollection. But the period that's most vibrant in my mind is starting with 2006 and after that. That's when we really gave it our full attention.

And one of the reasons—as I think we mentioned at some meeting—why the company was sold is we were starting to spend more and more time on philanthropy while we were participating in running the company, and we are in our mid-seventies, and there is an enormous amount of pressure. So we were either going to step down and have our successors take over—but an offer came in. And so we looked at the offer, and that looked like the way to go.

06-01:29:32
Meeker: So I want to ask about one thing before we wrap up today, and this is something that a lot of people have mentioned—actually, most people I have spoken with, I think mostly in the context of your life in San Francisco—the Sunday afternoon roundtable conversations. But I know also that these kind of things were happening for the Sunday brunches in Lafayette, where people

might come and play tennis, and then there would be a conversation afterwards. Is this something that developed naturally, or is something—

06-01:30:07
Sandler: Yes. Both. Both naturally and plan-full. To the best of my recollection, Marion or I—I think it was Marion—read an article about this guy who believed in single conversations at gatherings, at social gatherings. And that appealed to us; appealed particularly to me, going back in years. I'm not good at small talk. At a table, you have somebody on your left, and somebody on your right—frequently somebody you don't know, and frequently somebody who really has nothing in common with me, particularly in the early days, and if I'm a guest. And it wasn't much fun for me. I like disputation and discussion and analysis, and teasing and needling, and furthering and learning.

And so we tried this, and it was immediately a big hit, with us and with others. And the reason they mention it is they all want to do it. And it's not easy to do, and it's much aided if you have a round table. So in our San Francisco apartment, our dining table is a round table, and it can expand to hold twelve, which is perfect. It was harder in Lafayette. We were eating outdoors, but we would push the tables together to make a circle. And the rules are that there are no private conversations, anybody can raise a topic on anything they wanted, and the entire group pursues it until we all wanted to move onto another topic. And then violators of the rule would be severely chastised. I want you to know that the principle violator over all these years is Tom Laqueur, who just is always so enthusiastic, and so excitable, and so interesting that he can't constrain himself. But he is fantastically interesting.

And I do have a lot of funny stories about that. And what happened is, so people began to call it, after a while, "the Sandler thing." And it really wasn't. We picked it up from a newspaper article about this guy who talked about why that was better. But it turned out to be unbelievably successful, and frequently, the guests are very interesting. And so it's just bubbling and bursting with energy and ideas, and topics, and so forth.

Can I tell you an aside?

06-01:33:20
Meeker: Yeah.

06-01:33:22
Sandler: So a couple of years ago—Harley Shaiken you know, and Beatriz Manz; Beatrice is Chilean, and before Marion passed away, we were going to go on a trip to Chile, and she got sick and we couldn't go. And I did go on the trip after Marion passed away. And Beatrice, we would always tell our hosts that we liked, we liked to have a single conversation. And she had arranged all these dinners for us with her Chilean friends, including a former president of Chile and so forth. And we went to one place where she knew our host from

Harvard many years ago, and his wife was kind of part of Chilean aristocracy—a very powerful personality.

In any event, as a result of a conversation she had with her friend, the husband—our host—he announced at the beginning that Beatriz would describe how dinner was going to be conducted that night. So Beatriz explained what she called "the Sandler method," which is that it's going to be a single conversation. And the hostess appeared quite unhappy, and one of the women said that that's not the way she was brought up; she was brought up that you speak for five minutes, the person on your left, and you speak five minutes to the person on your right, and so forth.

In any event, so it started that way, and we are going to have a single conversation. And it actually was fascinating. They had some fairly prominent people there, one of whom had been a former ambassador to the US, who was a Chilean admiral. And he was discussing something, and during the course of it, he said a bunch of interesting things, and the woman who said you speak five minutes to the person your left, she says, "You know, I've known him for 30 years and I never knew that!" And I said, "Oh! There is something to"—I gave her a little needle. But that passed.

In the meantime, it turned out that our hostess was getting angrier and angrier. And she finally couldn't control herself anymore, and said she wants us to know that she very much objects to this method. The way she was brought up, both by her mother and her grandmother, is that you speak for fifteen minutes to the person on your left, you speak for fifteen minutes to the person on your right, and you never talk across the flowers. [laughs] And she had this beautiful set of flowers in the middle. You are not allowed to address the person on the other side— You know, I got hysterical; Beatriz got hysterical; Harley got hysterical. But it was clear we had really angered her. Which, I was sorry about.

And there is a conclusion to it which is also amusing. The next day, we headed down to Santiago, which is a resort area, and we were having breakfast, and Beatriz was getting call after call from the host of the previous evening, which she wasn't taking because she wanted to finish her breakfast. And she finally took it. And apparently, he laid her out six ways to Sunday about how angry he was, and how inappropriately we acted, and so forth and so on. And it was totally clear what had happened: his wife had laid him out, and he was passing on the message, or he would have been in deeper trouble. So this whole sequence of events were absolutely fascinating. In a different culture, in a different situation, something which has been greeted by literally unanimous enjoyment, all of them saying, "That's the way I'm going to do it"—

The problem why most people end up not doing it is there is a certain amount of work involved. First of all, if it's a rectangular table, it's very hard, because

it's hard to control everybody when people are at vast distances. With a round table, you are all in the same position. And then also, you have people like my friend Tom and others, who keep violating the rules and they have to be brought under control. And people are uncomfortable, when you are a host, of saying, "Cut it out, Tom." You know? And so some people have difficulty with that. But it's been one of the few things we've done where absolutely everybody who has visited, no matter where they are from—Europe, the Far East—who have been guests there love that and want to incorporate it in what they do.

06-01:38:21

Meeker: Well, it reminds me a bit of the graduate student seminar that I spent a lot of time in in grad school. And it typically wasn't difficult to get people to participate, or some people to participate; it was difficult to get everyone to participate, because— So how do you deal with that?

06-01:38:40

Sandler: That's part of your job. Marion was fantastic at that. She was absolutely, totally conscious of who was doing a lot of the talking, and who was not talking. I'm good, but was not in her class: she would always interject something that appeared like a totally natural question to Martin, who was really very quiet and not saying anything, and she would draw Martin out. And all of a sudden, Martin would be into the whole thing, that time and throughout the rest of it. Everybody was made to feel comfortable, and brought into it in a way that they felt safe, that they were in their comfort level.

Part of it, a lot of these people are extremely articulate. Like there are a few of my friends who are extremely interesting and extremely articulate, and they love to talk. And they can dominate, and that's no good. That is not good. It's interesting for a while, but it hurts the potential. And Marion was a master at getting everybody into it, and everybody involved. And everybody felt that way.

06-01:40:05

Meeker: How much time was spent in advance figuring out the different players? Who should attend and what kind of mix?

06-01:40:11

Sandler: A lot of time was spent on that, and a lot of time on agenda items, in case the other—frequently, no matter who they are, with rare exceptions, they are reluctant to suggest—particularly if it's their first time there—something on their own that they will after they feel comfortable. So Marion and I will have a few icebreakers which we know are of general interest, and then you get started. And then as people talk more, and then I would say, "Well, before we move on to anything on my list, what would you like to talk about?" And then at that point, typically people are more comfortable. It's like who asks the first question in class? There is always the shyness, the breaking of the ice.

So when we presented about the company at conferences, we wanted it to be interactive. So Marion would plant one or two questions in the audience. We knew there were questions that people wanted to listen to, and once that started, it would happen. We didn't make straight presentations at ours. It's actually, in a sense—I'm just thinking of it the first time—it's a continuation.

So in business presentations we did "Golden West meets the Street." Instead of having one person at a time go up to a podium, we would have four easy chairs and a coffee table, and at a certain point, whoever is closest to it would flip our sign, which says "Golden West meets the Street," in the form of *Meet the Press*. And Marion would act as moderator and would ask questions. She'd explain what the rules are: this is interactive; you can interrupt at any time, ask a question at any time; and no holds barred. And so she would say, "Okay, Russ—dah dah dah, dah dah." Russ is one of four senior people, and Russ would answer the question. And then she would say, "Now, Jim"—and throw Jim a question. And the part that always cracked up everybody: "Now, Marion," and she would ask herself a question. Which always—if they hadn't seen it before—would crack them up.

And at that point, the questioning was so active that all of a sudden, the audience is there, and then what we have is people raising their hands—they want to talk, they want to participate. And that, we felt, was far more interesting than dimming the lights to watch a PowerPoint presentation which is on material I have already given out to you before. Our point was, we wanted to talk about strategy, but we wanted to talk about what they wanted to hear, not what we wanted them to hear.

06-01:42:59
Meeker: Was this for stockholders or employees?

06-01:43:01
Sandler: These were for money managers, since these would be the mutual funds, and the Fidelities, and the Dodge & Coxes, and the Capital Groups—and a couple hundred people, and stuff like that. At the dinner, the same thing: what you want is you want everybody participating, everybody's point of view being made, and you want people to disagree with each other.

06-01:43:25
Meeker: And this is interesting. I like the connection you just made between what you were doing in your personal life, and then the approach to that. And also, the symbolism of a roundtable I think is very interesting, right? I mean, it's not a jefe down at the end adjudicating, and there is an equality to it.

06-01:43:50
Sandler: I have a good story for you about the other kind of table, and when you have a certain type of person. Have you interviewed Arthur Rock?

06-01:44:58
Meeker: We did. I didn't do it myself but yes, I know who you're referring to—

06-01:44:01
Sandler: So I'll tell an Arthur Rock story. I hope this doesn't see the light.

So Arthur Rock and his wife, Toni Rembe, are at our home in Lafayette for dinner. Arthur has just been on the cover of *Time*. Our table had five chairs on each side—a long, rectangular table—and one at each end, for twelve people. Marion is sitting at one end, I am sitting at the other; Arthur is on her right. Marion wants to get the general conversation started, which is very hard at that table. So she said to me, "Get a conversation started." I said, "What do you want me to do?" She said, "Ask Arthur about being on the cover of *Time*."

After Marion sits down, I waited an appropriate time, and I said, "Arthur! Would you tell us a little bit how you felt about being on the cover of *Time*?" He says, "No." [laughs] Death! It was death! Because that's Arthur: he's very cryptic, very monosyllabic; he doesn't want to talk about himself. The ultimate answer. At that point, Marion had to take over and get something going! I had been shot down.

06-01:45:14
Meeker: Well, then, here is the oral history trick. This is, again, probably not going [laughs] to be in the final record, but then what you do is you get meta, and you ask Arthur, "Well, why is it that you don't want to talk about it?"

06-01:45:28
Sandler: Yeah, we did that.

06-01:45:30
Meeker: [laughs] That didn't go anywhere either?

06-01:45:30
Sandler: We did. Arthur can be very monosyllabic when he doesn't want to talk. We did find out, however. We had opened the door, and we found out that his mother, who was in Florida at the time, loves to eat all fatty food. We found out two things. The interesting point was his mother: he didn't like it at all; his mother loved it. And then once we got him to admit that, he started telling stories about his mother.

06-01:46:04
Meeker: It can't get much more meta than that.

06-01:46:08
Sandler: But that's a classic of—

But mostly, you give a lot of thought to the mix of people. We have one friend who tends to dominate, and he is very interesting, and he is a judge. He is extremely bright; he is extremely interesting. But he doesn't know when to stop. And so what you would do is he would not be a normal guest, because you remembered what happened the last time he was there: that nobody else

could get a word in, interesting as he is. But it's much more interesting when all twelve people are participating.

06-01:46:50
Meeker: So I've been doing all this study in early American history, or early national history, and the concern about factionalism, which of course—

06-01:47:04
Sandler: "Factionalism?"

06-01:47:04
Meeker: Factionalism: the emergence of parties, and people needing to separate themselves. Was this ever a concern? Did factions develop at these conversations? Or for that matter, maybe the bigger problem would be that everyone had the same opinion about something.

06-01:47:22
Sandler: That's more of a problem, because I don't know a lot of people on the right. Most of the people we know are fairly opinionated and quite articulate. As I told you before, most of my friends and most of our guests are either from the academy or of the academy, or relate to the academy, and they all like to talk. I haven't met many people from the academy who are quiet.

I used to observe that—and even still now—women are generally more quiet and more respectful. Marion would always draw them out, and frequently, they were the brightest people there. It's always annoying when they have been socialized into a particular way of dealing with these situations, and they turned out to be the brightest ones there, and you are really missing— And Marion was very, very good—and I'm pretty good at it also—of involving everybody, and very conscious of women being more quiet. It's much better now than it was thirty years ago. So that's a difference I have noticed.

06-01:48:50
Meeker: Do you still host these roundtables?

06-01:48:51
Sandler: Yes. But not as often anymore. Yeah. Actually, we have kind of a formula in recent years: the dim sum. And so actually, a typical dinner for us will last four hours, serving about ten little pieces, one at a time. And go very slowly.

And actually, we hold our advisory committee meetings in the science arena at the apartment. We have three outside advisors, and then we have the person who runs the program. Jim and Susan don't go to those anymore. They used to. Steve goes to it, so that's six people, and our six. And then we'll have six young scientists. And actually, we have a formula for that now as well. We start by asking everybody to talk briefly what they do, just for a couple of minutes, and that is unbelievably interesting. We have these young, brilliant people, and to hear what they understand and what they don't understand— So two of our advisor committees on our basic science program are Eric

Kandel—I don't know if you have heard of him: the Nobelist on the brain, a genius from Columbia—and Paul Nurse, who is one of the most brilliant people in the world. And they are, like, revered. These young people are interacting with them, and they are both relaxed and funny, and witty, and the kids are just—you know, it's a wonderful thing to experience. I don't have to do very much in those at all. And we do that with anything else we are involved in that we bring them in.

So that's one of the great joys of the philanthropic efforts we have made is we have come to know some of the most interesting people in the world, and some of the most decent people in the world, and it's an honor. Bob Solow is one of the great people of our time, and at the age of ninety-three, he is sharp as a tack. He just blows me away. No matter what you ask him, his insights are off the page brilliant.

06-01:51:36
Meeker: Shall we end there for today?

06-01:51:37
Sandler: Wherever you want.

Interview 7: June 23, 2017

[side conversation deleted at beginning of session]

07-00:01:49
Meeker: Today is the twenty-third of June, 2017. This is Martin Meeker, interviewing Herb Sandler. This is interview session number seven, and we are here in the offices of the Sandler Foundation in San Francisco. It's been a couple months since we actually sat down and had some conversations, and so let's get started again today. We are resuming our conversations around Golden West Financial, and I think I'd like you to start with kind of a broad picture, and set the stage for business growth and contextual transformation of the savings and loan space, market, in the late 1970s, early 1980s, era. What was the status of your business at the time in the context of the sector?

07-00:02:51
Sandler: Well, maybe we might start by commenting about 1975, which would have been—somewhere in there would have been our first ten years or so, and my recollection is that we had this extraordinary growth pursuant to the strategic plan that Marion in particular had developed. It turns out we had grown at a compound annual rate of about 25 percent, which is rather extraordinary. But there were certain things that had taken place in the interim that were unexpected. I think we discussed them earlier, but I'll just mention them quickly now. One was the tight money period of 1966, in which, for the first time since the end of World War II, a problem like that existed, in which there was disintermediation, which meant instead of deposits growing, they were leaving all the financial institutions. The other was the repeal of the Spence Act, which prevented mergers by holding companies and acquisitions by holding companies, or restricted them.

But some other things had taken place. In 1973 and '74, for the second time, I guess, we had very tight money again, presaging the future. We went through that period without difficulty: while other institutions were showing declines in earnings, we continued to have growth on earnings, in large part because of our business model, which we developed and on which we focused continuously. But that was a warning. And that changed. Money became available again, and flows continued. However, in 1977, it became far more serious, and there started to be a steep increase in interest rates.

What I might do is use this now to set the stage. The savings and loan business essentially is a very simple business: you take in deposits and you make loans, and if you operate efficiently, you are going to get an extremely good return on your money, assuming you watched both your costs and the quality of your credit. Frankly, anybody following that process would do well, which is why it had attracted Marion during the period she was a savings and loan analyst to the industry. But there were several latent problems, the key one being that, in essence, all of the deposits when we got into the business

were passbook deposits, and what that meant is that anybody could pull their deposits out at any time. It went day to day. The depositor could change their mind about keeping deposits there, but you made loans for thirty years at a fixed rate, known as "borrowing short and lending long." It was a problem which most people ignored. And to some extent, we ignored it also. We were not nearly sensitive enough to the risk that was involved.

But '73, '74 was a warning, and starting in '77 and '78 and going through 1980, it became really serious as interest rates exploded. So here was a situation in which you could make lots of money based on a very stable interest rate environment, but actually, your viability was threatened if you had a volatile interest rate environment in which there were steep increases in interest rates, because the costs of your deposits would go up very rapidly, and your ability to increase the yield on your portfolio could increase only marginally, and very little. In 1976, somebody who had been with the company for about four years, Russ Kettell, who was a young analyst, sent Marion and me a paper saying that following what's been done for generations in this business has the potential of leading to insolvency, because that long, stable period had clearly come to an end. The question was, when would the extreme volatility arrive, and how steep would it be? He thought the institution, as well as the rest of the industry, were in serious jeopardy.

We looked at it and thought this young kid is exaggerating the situation, and we gave him a really difficult time, with all kinds of questions asking him to prove the assertions he was making and the data he had put together. That lasted for about a year to year and a half. He is a very shy, introspective, brilliant young person, and I was amazed at how he would continually come back with more evidence suggesting the validity of what he was proposing. And in fact, by about 1978, we were persuaded that he was right. I'm not sure of the exact time.

What we did is we looked to see what our options were. One of the things he was recommending strongly is that we stop fixed-rate lending. I should mention now that at that time, there was no authority in most of the country to originate adjustable-rate mortgages: mortgages where the interest rates were also sensitive to change in the environment. You could only make fixed-rate loans, and we agreed that this was a serious problem, and one we had to address. In looking to our options, the only option that made any sense was to not invest our funds in fixed-rate mortgages. What we could invest them in is short-term government securities, or, actually, in passbooks at other institutions.

And so we became extraordinarily liquid. Looking back on it—and I'm sure we'll discuss this at some point—starting in 1980, the savings and loan industry, most institutions started to lose money in 1980. We did not. We earned money in 1980. We had positive profits. But in 1981 and '82, we, as the rest of the industry, lost money. We lost $20 million in each of those two

years. Had we been permitted—and I'll explain what I mean in a minute—to maintain this liquid position, we would have never had a loss year, because the interest rates we would have gotten on short-term securities had gone through the roof, and we would be matching the cost of our deposits with the yield on our earning liquidity.

However—and I can't recall exactly when it happened; I just think it's probably in '79 or '80, probably '80—the Federal Home Loan Bank, which had two relationships with us—one, they were our supervisor—they examined us for our health and how we were operating—and our wholesale source of credit—they made loans to the savings and loan members of the Federal Home Loan Bank. Very important, obviously. Our supervisor and somebody who could lend us money told us that our numbers showed that we had more liquidity than the Federal Home Loan Bank of Topeka. In other words, we just had too much liquidity, and that was bothering the regulators that we should have that much liquidity, and that our charter is to have mortgages in our portfolio.

07-00:12:52
Meeker: Was it just that basis that you are a savings and loan, so your portfolio should be mortgage, or—

07-00:12:57
Sandler: We were directed to reduce our liquidity, or else.

07-00:13:03
Meeker: Did they give you a reason for that?

07-00:13:05
Sandler: Yes: our liquidity was too high. We had more liquid money than the Federal Home Loan Bank of the Topeka district. I remember that particularly: we were a member of the San Francisco district, and the Topeka district, and somebody picked that up and were very upset by it. It was regulation at its most stupid and ignorant: you are telling somebody to take an action which is almost certainly going to result in losses and the threat of continued viability to achieve some nonsensical objective. But on the other hand, we could not, as a regulated institution, afford to ignore a demand by our regulator and by our credit reservoir. They threatened all kinds of things.

07-00:14:02
Meeker: So was their rationale that Great—that Golden West, rather, looked a lot more like a bank than it did a savings and loan bank?

07-00:14:08
Sandler: No! Nobody looked like us. We had 50 percent liquidity. We reduced our loans. I think we had loaned—I can't remember the year—$600 million, then it dropped to $150 million, and then it dropped to $80 million. And that was all intentional. We had made ourselves problem-proof. You think they would

like that, but it looked odd. That's one of the oddities. There are many others I'll discuss with you, I'm sure, as we go on.

So we looked at our options, and we really didn't want to make fixed-rate loans. Now, there are two problems that an institution can have. One is that you are losing so much money that your capital dips too low, and you are no longer viable. Another problem is that you become illiquid. That means that you don't have enough liquid assets to pay a depositor who wants to withdraw money. So we had two risks we had to solve. Since we were required to reduce our liquidity—which was insane—to make fixed-rate loans would be to face the risk that we were trying to avoid.

What we did is we invested in mortgage-backed securities. What are mortgage-backed securities? Institutions would package their mortgages, go to Fannie Mae or Freddie Mac, who would pass a wand over them, and all of a sudden, those mortgages, in essence, have the backing of the government, because they were what's called GSEs, or "government sponsored enterprises." Although it didn't really have the full faith and credit of the government as a Treasury instrument might be, they are as close to that as you can get. So the reason for investing in mortgage-backed securities is they have unbelievable liquidity. You can sell your mortgage-backed securities instantaneously, because they are continually being traded by financial institutions and other investors. Fixed-rate mortgages, the basic core asset, which don't have the imprimatur of Fannie and Freddie, those don't have automatic liquidity, and you have to find somebody willing to buy them in the marketplace, but they are difficult to sell in times of stress.

So what we did is we just—

07-00:17:12
Meeker: Could I actually a clarifi—

07-00:17:13
Sandler: I'm going to just finish them up. We eliminated the liquidity risk; we still had the risk of profitability.

07-00:17:22
Meeker: The mortgage-backed securities—so, just a clarification. You have mortgages, right, and those are not very liquid, right? Because—

07-00:17:32
Sandler: They are not liquid at all.

07-00:17:33
Meeker: —you can sell them—

07-00:17:34
Sandler: There is a market, if another institution has a lot of liquidity and they want to get an asset which would pay more.

07-00:17:45
Meeker: So what is the process by which a mortgage is turned into a security? And by "security," I understand that to mean like a stock or a bond, right?

07-00:17:52
Sandler: Yeah.

07-00:17:52
Meeker: Something that's much more liquid.

07-00:17:54
Sandler: "I blessed you." You go to Fannie, they look at the mortgages—or theoretically look at the mortgages—they say, "Okay, the credit is good on this. I am going to now create a GSE backed mortgage backed security"—I have become now a Fannie Mae instrument. Those are sold in enormous volume every day.

07-00:18:13
Meeker: So it's different than somebody, like a savings and loan, selling their loans to another—

07-00:18:19
Sandler: Quite different. Quite different.

07-00:18:20
Meeker: It's like turning, in essence, mortgages into stocks or something?

07-00:18:25
Sandler: No, into a security. It trades just as any other security. So—

07-00:18:31
Meeker: And was Fannie and Freddie the two institutions—

07-00:18:34
Sandler: Yeah, right.

07-00:18:34
Meeker: —that were allowed—

07-00:18:36
Sandler: They are government—

07-00:18:37
Meeker: —to do this alchemy?

07-00:18:37
Sandler: Yeah. The ones I remember are Fannie Mae, Freddie Mac, and Ginnie Mae. We didn't do much with Ginnie Mae, I think because those were typically used for government-insured mortgages, which we didn't make, through FHA, et cetera.

And that's how we ended up with a large portfolio of mortgage-backed securities. It wasn't our first choice, but what it did was to ensure we never had a liquidity problem at all in a different interest rate environment. Our whole portfolio, in essence, was liquid.

07-00:19:12
Meeker: Can you provide me a little bit of context about the interest rate volatility, meaning the extreme increases in interest rate?

07-00:19:18
Sandler: I can check, but let me see if I can find it. In 1980, I think, six month T-Bills—six-month Treasury Bills, which is a good indicator or proxy for interest rate in general for—let's see—increased by 800 basis points. That meant it might have gone, let's say, from 9 percent to 17 percent—in one year?

07-00:19:47
Meeker: Why does this happen?

07-00:19:49
Sandler: Because we were perceived to be in an inflationary environment, and the Federal Reserve under Paul Volcker had made up their mind, probably correctly, that they had to squeeze uncontrolled inflation out of the economy. The question was how much damage was going to be done in the course of eliminating the inflation. I have got a couple of interesting stories you might be interested in about—

07-00:20:27
Meeker: Well, sure. So just to translate so I can understand that, it's a bit like this horse running out of control, and turning up the interest rates—

07-00:20:37
Sandler: They are turning up the interest rates to slow down—

07-00:20:38
Meeker: —is like—

07-00:20:39
Sandler: —the economy. Because when the interest rates were low, people were going crazy. By that, I mean lending and investing as if there were no tomorrow. When interest rates are higher, the benefits of that become far less, and therefore people become far more prudent. The danger is in shutting that off and causing the cost of money to go up so much, you might throw the country into recession? So you have another problem. It's the balancing, and those Federal Reserve governors and chairmen who handle that well are the stars, because it's very difficult to do. The externalities and the amount of data and things that affect it are extraordinarily complicated.

07-00:21:27
Meeker: That's why Alan Greenspan is remembered rather well, or—?

07-00:21:30
Sandler: Well, except in the later years, he made some very big mistakes.

07-00:21:37
Meeker: So you were going to say—

07-00:21:39
Sandler: Well, it's just that I don't think people understood the impact, particularly on the thrift industry, and this was the beginning of the savings and loan debacle. I'll tell two stories which I think give you a sense of things.

So we were watching our own data, and we were realizing that we were going to be losing money if interest rates remained high or went higher. It was like we were in a vice. There was nothing we could do. The externalities controlled our existence, and that of all the thrift industry, and a large part of the banking industry. I remember well going to Washington to discuss the problem with the chairman of the Federal Home Loan Bank, and I met with him and his chief assistant.

07-00:22:35
Meeker: Who was it at the time?

07-00:22:36
Sandler: Jay Janis was the chairman at the time, and his assistant was Rita Fair. I explained the problem to them: that the thrift industry was in the process of going under. Incidentally, even though I didn't sleep well in this frightening environment, in some ways, I was relaxed because I was analyzing all the data out there, and it was clear that if things didn't change, a large part of the thrift industry would go under. The reason I was relatively relaxed was because we would have been among the last to go under, so that meant out of 4,500 institutions, we would be in the last twenty or thirty to go. I figure at some point in there, they would have to change things so as to not take down an entire industry. Because there was nothing you could do. We had all the fixed rate loans on our books, we had deposits whose interest rates were going through the roof, and we had a fixed-rate portfolio, partly mortgages, and partly mortgage-backed securities.

I think we gave Janis and Fair a scare, and they sent Russ and me to see their economist. I remember his name also: Ken Biederman. He says, "No, there is nothing to worry about. It's no problem at all." I found out later why he didn't think we were right. [The data upon which the regulators relied was probably about six months old. But the impact of the high interest rates on the savings institutions was extremely rapid. Because the data on which they were relying was so out of date, they missed the extreme seriousness of the problem.]

Story two is more interesting. In 1980 or '81, because of the concern about the thrift industry, they created a savings and loan advisory committee to the Fed, and I was one of the people appointed to that committee. They had long had, since 1933, a bank advisory committee, and they created the Savings and

Loan Advisory Committee to be similar to the advisory committee of the banks. I remember the first day, the day before the day we were scheduled to meet with the Fed governor, we had to meet with their staff, headed by somebody who later became a very close friend, Ed Etten, who used to manage the money supply for the country, and who was their senior economist. It was one of the most tense meetings I was ever at. They thought we were all crooks, and we had caused all the problems, and that we were all stupid. We were supposed to prepare for the meeting the following day with the Board of Governors and the chairman, and we were arguing about who was going to sit where, what the agenda was going to be, and who was going to be permitted to talk. I remember I left that meeting wringing wet. My shirt was dripping, it was that tense.

The next day, we met with the Board of Governors. We were supposed to meet quarterly, but things looked so dangerous, we were meeting more often. We would submit to them what we thought was happening to the savings and loan industry, and how fast it was declining, and how many institutions were going to go under. The Fed staff said we were wrong, and they couldn't trust our numbers. Well, there's a reason why the Fed staff was wrong, it was for the same reason that Ken Biederman was wrong. They didn't realize that the change from month to month was as extreme as it was, and they didn't realize how rapidly the losses were mounting, month by month. We had collected our data and the data of a large number of institutions on a month by month by making calls and collecting the data, and we realized the sky really was falling.

Anyway, that's an interesting story about one of the problems the Fed had at that time, namely their data was dated, and in addition, their data wasn't disaggregated in a way that could let them see the problem. Then, of course, what happened over time, as each meeting, our numbers turned out to be correct, suddenly, we weren't as stupid as we looked, and they also found out by talking with us that we were decent, serious people concerned about a national problem, as well as our existence.

07-00:28:06
Meeker: When were these meetings happening, roughly?

07-00:28:08
Sandler: It's either '80 and '81, or '81 and '82.

07-00:28:11
Meeker: Okay. So fairly early in the game?

07-00:28:13
Sandler: Oh, very, yeah. I was on the board for two years in a row. At that time, it was Paul Volcker, with whom I also became very close to. I was on the committee a second time some years later. That time, it was Alan Greenspan who was the chair, and then Marion was on the committee for a period of two years with Alan Greenspan.

07-00:28:34
Meeker: Do you recall having conversations with Volcker about this, and suggesting that his monetary policy was not good for the country?

07-00:28:42
Sandler: Well, no. That was our point. Our point was you are doing something to address the out of control inflation; that's a macro issue. The point is you have to understand what else is happening, what are the effects on other parts of the economy. So if it was—as the Fed staff thought, and as the Federal Home Loan Bank staff—just slowly getting worse, you could continue that process. What we did is we made them aware that the savings and loans are dropping like flies, and they are going to eliminate an entire industry, and you are also going to be having a macro impact on the banking industry as well, and et cetera, et cetera, et cetera. And that will ripple through the economy, and the question is, how do you feel about that? So absent us, absent our input, it would have taken a lot longer to understand what was happening, but we made it much more urgent. Whether we had an impact or whether it would have happened on its own, that's a bigger question than I can answer.

07-00:29:54
Meeker: Well, do you recall what Volcker said in response to this, these questions?

07-00:29:58
Sandler: First of all, he is a wonderful human being, extremely witty, and smoked the worst cigars in the world, at that time; later on, he had to stop. They stunk. They were just taking in the input and—well, I do have a wonderful—I have two wonderful Volcker stories, but they are not relevant to this.

07-00:30:24
Meeker: Well, tell me about how he responded—

07-00:30:26
Sandler: I can't recall. He was just—

07-00:30:27
Meeker: —and then—

07-00:30:28
Sandler: —taking in the information and internalizing it, and it was a factor that he didn't—none of them understood what was happening in terms of the rapid impact. I am sure it had some impact on what they did, but I can't testify to that.

07-00:30:48
Meeker: Well, it's interesting. I wonder at the time—and this is just speculation, but—monetary policy seems to have limited options, like to enact different monetary policies, as opposed to fiscal, right?

07-00:31:06
Sandler: That's right. You are exactly right. And most people don't know that.

07-00:31:09
Meeker: Maybe he just—

07-00:31:10
Sandler: I'm delighted to see a historian that does.

07-00:31:13
Meeker: Well, maybe he just didn't know. Maybe he just didn't know what to do. Maybe it was like, well, if I take this, then this bad thing is going to happen.

07-00:31:19
Sandler: They are always balancing. I don't know in your profession, but in running a business, you are continually balancing. The way that I look at it is pretend you have a balloon full of water, and you press something over here. Someplace on the balloon, something is going to jut out. Everything is interconnected, and the question is how to make the best judgment you can about getting the most benefit with the least harm.

Everything we do in business is a positive/negative. When interest rates are positively sloped and they are increasing slightly, extremely good operating environment for a savings and loan. However, your profits during that period may go down, because your spread will be compressed by the interaction of various interest rates on your portfolio. When the interest rates are inverted, going the other way—they are going down—it's a tougher operating environment because it's tougher to make adjustable-rate loans, but your earnings are going to go through the roof.

So if you look at our earnings for the period, so we had two years of losses, '81 and '82. Then '83, interest rates went down. Earnings went through the roof. We didn't do anything brilliant. It was the natural ebb and flow. That's why stockholders in many respects are naïve, because they look at what they see—what are you earning today? Oh, my goodness! They were going down. But that might have been a period in which we are making a large amount of high-quality loans, which meant that whenever interest rates plateaued or went down as these inevitably would, the earnings would go through the roof. So they frequently buy at the wrong time and sell at the wrong time. But it's hard for people to understand.

07-00:33:36
Meeker: Even in these years in which you are making fewer and fewer loans—you said the lowest, I guess, was down to about $80 million in loans?

07-00:33:46
Sandler: That sticks in my mind. It's something like that.

07-00:33:48
Meeker: But you are still making $80 million in loans. I am curious what the role of the housing market is in all of this.

07-00:33:58
Sandler: That's one of the impacts. That's one of the things that Volcker had to take into account: in trying to achieve his objective of squeezing out inflation, he has to consider the impact on the residential housing market? And so much employment is dependent on how the housing market is doing. And what is the impact on people of that? Those are the kinds of questions that they have to think about.

07-00:34:19
Meeker: Well, how did it impact—I guess in—let's say, take California, because that was your biggest market. Then you also have the additional element of Prop 13, which had to do with property taxes.

07-00:34:31
Sandler: Yeah, which is vague in my memory.

07-00:34:33
Meeker: Okay. Let's table the Prop 13. But I am interested in how did the Fed's decisions impact the housing market in California—

07-00:34:47
Sandler: Well, it hurt them. Not just California. It was nationwide. First of all, deposits were going out. What were you going to lend with? And then the interest rates were extremely high.

07-00:35:06
Meeker: So nobody wanted to buy?

07-00:35:07
Sandler: Of course not, because you make a calculation, don't you? This is how much I make, this is how much I can pay for housing, and when the interest rates go up five or 10 percent? I am looking at the young kids now, and they think interest rates are at 0 and 1 and 2 and 3 percent, and they think that's going to last. They are in for a shock! This is an historic anomaly. Far more complicated.

07-00:35:38
Meeker: So basically, then, what happens is interest rates are high, people aren't buying that many loans, so there is not even that much desire for loans in the industry?

07-00:35:48
Sandler: No. And the builders are in trouble, and everybody is in trouble. The timber industry, furniture manufacturers, and many others will be under stress. That was what we were trying to get them to understand: that as they think this through, this is something of which they were not aware. They knew that it was hurting, but they didn't realize the rapidity of the change. And we were doubted at first. Then it was really wonderful, because there was a meeting—I can't remember exactly when it was—in which it became clear that everything we had been saying was 100 percent valid and truthful, and what

they had thought was the case wasn't. It's interesting, because the person who headed that meeting that was so unpleasant became one of our closest friends, because he recognized it and realized that we were really pretty smart people speaking truth and playing it straight, and interested in what's good for the country generally.

07-00:36:56
Meeker: In the midst of all of this, something you haven't mentioned: the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDC).

07-00:37:03
Sandler: Let's provide some context about the S&L debacle, which might help you to understand the legislation. It's really at least a two-part problem. Phase one came out of the imbalance that I have just discussed: the borrowing short and lending long. They are just economic imperatives, you can calculate it very easily. Interest rates on assets are fixed for 30 years and interest rates of deposits can change rapidly. Losses came out of that. At that time, I believed that the losses were going to be in excess of $100 billion. The Treasury was taking the position that it was something like $15 billion at the beginning, but I think that was for political cover. Then there became a phase two which added significantly to the losses and which largely came out of the legislation you mentioned in 1980 or '81. There were a bunch of changes. But one of the really bad parts of it was the lending authorities. They greatly expanded lending authorities.

07-00:38:12
Meeker: What do you mean by that?

07-00:38:13
Sandler: Well, essentially, historically, the savings and loan industry was an industry that made loans almost solely on residential loans, primarily single families, but also some apartments. I remember one of the signals to us of troubles took place in the mid-eighties—I can't remember the year—in which I was at a meeting of, of a Berkeley real-estate group headed by Ken Rosen, in which Ken pointed out that 49 or 50 percent of all commercial loans made in the country were being made by savings and loans. So three or four years prior to that, nobody in our industry was making commercial loans, and all of a sudden, they were making half of the commercial loans. Now, what did they know about commercial lending? Nothing. So they either did it on their own, inexperienced personal or they hired some fast-buck operators.

So phase two of the problem is the misuse of the lending authorities to make insane loans. Have you heard the expression "see-through office buildings?" That means an office building which has a very high vacancy rate. You can see through it—there is nobody there. Well, I used to drive around these various geographic areas, and I saw something I never saw before, which is a see-through shopping center. It would be a shopping center which had 99.9 percent vacancy. There was one tenant. The tenant was a small office of the

savings and loan that had made the loan for the shopping center. What the developer did is to get a loan from an insolvent S&L, they got paid fees, and they were ripping off the institutions.

So you have stupidity and naiveté because people who shouldn't have the authority have the authority to do something about which they know nothing, and they were ripe for the plucking. All these fast-buck operators and developers would come to them and con them. Remember some time ago, I talked when we first got in the business, somebody from Sacramento came down? It was people like that just solicited S&Ls for terrible loans. Tremendous losses from that.

07-00:40:46
Meeker: Well, and Golden West didn't move into that.

07-00:40:49
Sandler: We never did. Of course not. We actually thought about it, you see, and analyzed it.

There was one of problem that got a lot of publicity: it attracted to the industry people who would buy savings and loans to control them who wanted access to the money in the savings and loan, which came through the deposits. Charlie Keating, for example. Charlie Keating bought a savings and loan, Lincoln Financial. He did it because he was a developer. A developer's dream! Instead of going to an institution to borrow money and have to go through all the due diligence that any decent institution would do, Keating owned the institution and fed the money into his developments.

So that's another source of large losses, and that's where the real criminality was, and all that garbage. But it was all set up by the borrowing short, lending long problem, which weakened the institutions, which caused this incredibly stupid deregulation. To deregulate the liabilities first before the assets is crazy. Had they authorized adjustable-rate mortgages in the early seventies, and then later on made the other changes, the losses would have been much lower, because the institutions would have been viable. They wouldn't be caught in that trap that I have been discussing.

07-00:42:43
Meeker: Right. So what you are saying is that this 1980 piece of legislation ended limits on maximum interest rates for deposits, and so as interest rates start to go up—

07-00:42:55
Sandler: Right. They had a concern. Their concern was that if they didn't permit the institutions increase the interest rates for deposits, all of our deposits would flow out. That's a valid thought. But when one steps back and thinks about, "Okay, we have got to do this, but shouldn't we A, plan it out, think about all the implications," and then say, "Wait a minute—if we are going to do

deregulation, let's deregulate the assets first, so we can lessen the problem we have to deal with"? It's hard. It's easy in hindsight, but we were talking about it at the time. We were begging from about 1974 for the right to make adjustable-rate mortgages, and it was just impossible. We couldn't get it.

07-00:43:53
Meeker: So when this legislation was on the floor and it was being written before that, did you engage with your elected officials? Did you, as an industry, lobby to try to—

07-00:44:07
Sandler: First of all, as an industry, our industry contributed significantly to the problem. The US Savings and Loan League, the trade association, was led—and this is fairly typical of trade associations—they were led by people who were not concerned about what was the best policy, but how to protect the weakest members so you didn't lose any members. If you want to understand trade associations, you must—whether it's for lawyers, or professors, or anybody else, they are always concerned not about what's right, but how do we protect the most number of people? And, of course, they were being lobbied by their weakest members.

We had enormous fights. We were urging higher capital standards. What had happened is the capital standards got very low. I don't want to get into the technicalities of what's called "averaging," but people could grow very fast with very little capital. My local legislator is meaningless, because all this stuff is worked on in the relevant committees; that's the way Congress works. You have to work with the banking committees.

I had a very unique experience at a meeting in the late eighties. It was a US Savings and Loan League meeting in Florida—Disney World, god help us—and I remember calling Marion that night from a Donald Duck phone, appropriate to the way I felt about the meeting. I was lobbying very strongly that the Savings and Loan League should support higher capital standards, because clearly, that absolutely had to happen. I was lobbying people in the morning, and I was getting a lot of positive response. The head of the Savings and Loan League, a fellow named Bill O'Connell, was not there in the early part of the meeting. Then there was a break, and he heard what I was trying to do, and he went around to talk to everybody. So when, we got to that part of the agenda of the meeting, I made a motion that the league support it. The motion died for want of a second. Nobody would second me.

And so if you listened to the MacNeil/Lehrer *NewsHour* reports, which they did—they used to have a little heading on it that said, "Savings and Loss"; was the title of this thing, and I was on two of the programs, at least two. One of the charges that now-Senator Schumer made was that the savings and loan trade association was arguing for weak capital, and therefore, Congress shouldn't listen to them. My response to him was, yes, the league was wrong,

but many of us were fighting for it. We actually took out a full-page ad in the *Washington Post* arguing for increased capital.

07-00:47:25
Meeker: But this specific piece of legislation, there was no room for you as an individual or as a company to—

[side conversation deleted]

07-00:47:36
Sandler: We argued against it. Sure, we argued against it. But—

07-00:47:39
Meeker: Did you have regular interactions with Senator [Alan] Cranston at the time?

07-00:47:46
Sandler: Well, that's another annoying story, actually. You want these anecdotes?

07-00:47:50
Meeker: Yeah.

07-00:47:53
Sandler: There is a story that really made me extremely angry. So we were friends of Cranston, and as a matter of fact, I was one of a very small number of people that at one point were supporting him for president. The reason for that was that I had met Richard Goodwin, who was a speechwriter, you may remember, for JFK, and he had made a point that stuck with me. He said, "Most people running for president make a big mistake. They come in with this whole large group of things they want to do while they are president. And it's impossible. The job is too big and too complex." He says, "If you look back historically, the most effective presidents are those who focus on a few critical items." And Cranston was such a person. His biggest issue was nuclear disarmament that he wanted to accomplish, which I thought was a critical thing.

So here we are, friends. Marion gets appointed to a savings and loan advisory committee to the Federal Home Loan Bank. She said, "What am I supposed to do? I don't know what the history is here." So I said, "Look, Alan Cranston undoubtedly had a lot to do with that. It's his committee. Let's call Alan." Which we do, and he says, "Well, I'll have so-and-so call you," which is his chief assistant. I can't remember her name; I just remember her personally. And she kind of treated Marion like she was a nothing, and just talked down to her, and gave her no information. All Marion wanted to do was find out, "What are my responsibilities?" Well, we checked with other people, and finally found out it's to make sure that they were pursuing good policies in the disposition of all the sick thrifts.

Marion goes to the meeting, and there are ten or eleven members of the committee. And Marion, very much as I, asks hard questions, the tough questions, which the chairman doesn't like at all. He doesn't want to be

questioned. A couple of things happened; two interesting things happened. One is one of her co-members of the advisory committee—and they always prepare for the meeting with the chairman and his staff ahead of time—says, "Look, Marion is the only one asking hard questions, and we are all sitting here saying nothing. We ought to divide up the questions." So at that meeting, Marion said, "These are the questions I am going to ask," and they divided them up. Then the meeting starts, and the first thing one of them says is, "Chairman Wall, you are doing a fantastic job." He didn't have the courage to ask the hard question. Story one.

Story two: we find out later there is a rumor around that Danny Wall, the chairman of the Federal House Loan Bank Board, is saying that Marion Sandler is asking all these questions because she is trying to find out information in order to improve her position in negotiating for sick institutions.

07-00:51:27
Meeker: To purchase?

07-00:51:28
Sandler: To purchase. First of all, none of her questions related to anything like that. They were all macro questions. Well, we are furious, and so Marion calls him up and says, "Chairman Wall, I understand you are badmouthing us and saying these things about us." He said, "Oh, I am not doing anything like that." Et cetera, et cetera. In essence, he said, "I am not doing it, but I certainly won't do it again." And what happened is, all of a sudden, they stopped. In other words, he was using that to quiet her down, and didn't realize that we won't take that kind of crap, and he backed away from that absolutely outrageous charge.

To finish the story—back to Cranston—so we were furious. I was furious that here we are, friends with him, one of the few supporters for him for president, and Marion couldn't get the time of day from his staff. And so I won't talk to him anymore. I am just in a fury. One day, there is a Senate Democratic Campaign Committee meeting in San Francisco at the Fairmont in the Pavilion Room; I can remember this all in detail. He is there, and I am there, and I am not going to talk to him. You will see the point in a minute. He sees me and he walks over, and I see him walking over, and I walk to another part of the room. And then he walks over again, and I walk to another part. And he comes to me and he says, "Herb, are you mad at me?" I said, "I am furious with you." Marion asked for help in understanding an obligation of the office to which she was appointed and couldn't get the time of day from whoever your staff person is, and who knew about our relationship with you. "But you jump around and hang out with Charlie Keating, who is an obvious slime and crook, and will end up in jail, and probably take you down with him. And I can't live with that." And of course, that's what took him down. And that's a fascinating story about my representative in Congress.

07-00:54:11
Meeker: Interesting. One last question about the legislation of 1980, and that was, I believe through it, S&Ls could now offer checking.

07-00:54:25
Sandler: Right.

07-00:54:25
Meeker: And this is something that Golden West decided not to pursue at that point in time, correct?

07-00:54:28
Sandler: Right. See, the way we do anything is we are very big on due diligence, and our analysis showed—and also, it has to be in the context of our business plan—that checking accounts, unless you are prepared to do a lot of charging of fees, doesn't really make money, and there's a lot of costs associated with it. So you are paying very little for it, which means that your liability cost, per se, is less, but your general administrative costs are much higher. Our preferred customer was the kind of person who would come in with a $20,000 or a $30,000 or a $50,000 deposit—preferably on some kind of certificate account, which we might be offering at the moment—and never come in to see us again until they want to renew it, or something like that. That takes our G&A way down since there are less branch visits, and creates stability, and fits perfectly with our business plan.

Which goes to another question you are likely to ask: "What about ATMs?" Well, if you do a large checking account business, you want to have ATMs. But we didn't want to do a large checking account business, so we calculated what the costs of ATMs are. The interesting thing, is that it's a close question. So what did we do? We built the closet where the ATM would go, and it was wired. So later on, when we developed a checking program which Marion conceived—which was brilliant; it was a total gap—which is called "high-yield checking." We were going to pay a good interest rate—not 1 percent or 0.5 percent, but maybe 4.5 or 5 percent—on a high-yield checking account. Those people don't draw many checks on it, but they do draw some. All we had to do was call the ATM company, install the machines, and we bought it then. We weren't sure we were right when we initially decided against using ATMs, so we did everything at a totally minimal cost, and then ultimately, when the need became relevant, we put it in within days.

07-00:57:09
Meeker: Brilliant. During this period of losses, the Feds are encouraging the stronger thrifts to buy weaker ones. What is your thought of this? Was it judicious?

07-00:57:23
Sandler: We bought lots, but we did it without risk. I don't know whether there were any exceptions to this, but by and large, the companies we bought, we bought the offices and the deposits. We did not buy the assets. The assets are the loans. They had to keep the bad loans.

07-00:57:48
Meeker: Who was "they?"

07-00:57:50
Sandler: The government, who owned it.

07-00:57:52
Meeker: Was it Fannie and Freddie that helped them?

07-00:57:55
Sandler: The biggest one I think we bought like that was Beach Savings in Florida, which had a terrific branch system, gave us entrée into Florida, and it was a terrific deal. We are not interested in buying risk.

07-00:58:13
Meeker: Right. Who, actually, in the federal government held the assets?

07-00:58:17
Sandler: Well, there is something called the—oh god—I think it was "RTC." Now, I am searching my memory bank. Resolution Trust Corporation was created to administer the holding of it. The real control over it was the FDIC, and at that time, they had a terrific chairman, William Seidman, who was an extremely able guy, who was running that. But RTC was, they hired people to do that. Actually, on one of my times I appeared on the MacNeil/Lehrer *NewsHour*—they always do the story first, and then they get the interviews—there was somebody from the RTC who was talking about what his job—he had just been hired, and how they were trying to plan to handle the thing. You know, it's never happened before: all of a sudden, all of this property is just disappearing from the thrifts and going into this massive, newly-created corporation. It was very difficult.

We were excluded from a certain number of deals, and I always felt that was a political thing. I was identified as a Democrat, and some of the people controlling it were Republicans. We used to make a lot of noise about that, and so we did get to look at some of them, and we bid on some. Some, we won; some, we lost.

07-00:59:56
Meeker: Given that we have been talking about DC, federal government, monetary policy, did you feel like there was a pretty strong political dimension running through all of this?

07-01:00:10
Sandler: Well, I don't know what you mean by "all this."

07-01:00:12
Meeker: You know, deregulation, and working with legislators—

07-01:00:19
Sandler: In terms of the banking committee, I had become very close friends with two people on the banking committee who I thought were, by far, the smartest, and the most decent. One was Jim Leach, a Republican of Iowa, who actually, I was friendly enough with him that when we started ProPublica, I asked him to join the board, which he was on until he got appointed by Obama to the National Endowment for the Arts, which Mr. Trump is trying to eliminate. God help our country. And Chuck Schumer. Really, they understood things. They understood how the finance system worked, how the banking industry worked, and they were interested in achieving realistic solutions.

Deregulation in this arena was not so much kind of a political thing. It was really a response to an emergency for which they could have planned and hadn't planned. These were all new threshold issues. I think the prime rate hit 21 percent, if I am not mistaken. I mean, we hadn't seen that before. It's just incredible. Mortgage rates were 15, 16 percent. Not too many people are going to buy a house with a 15 percent mortgage—I just sensed there may have been a little politics in the disposition some sick thrifts, but I wouldn't make that charge. I just had the feeling of it, but I don't know if it's accurate or not. We did end up buying a fair number of institutions ourselves.

07-01:02:22
Meeker: Well, let's talk about the development of the adjustable-rate mortgage, the ARM. You had said that this was on your radar screen as early as the mid-seventies, I guess, or—?

07-01:02:36
Sandler: It was on the radar screen particularly of the large thrifts in California. We were kind of a small institution. Even as we were growing, others were growing also. The two largest institutions were Home Savings and Great Western Savings. Then there were a bunch of other institutions: American Savings, which was much larger than us; San Diego Federal; California Federal, and so forth. So we were getting big, but they were getting bigger. They were bigger than us, and they continued to remain bigger.

I should also remember to state that in certain states, state-chartered institutions could make adjustable-rate mortgages. They did have the authority. Wisconsin was one of them, and there were a few others. But the nationally-chartered institutions could not, and most states could not. In California, as a result of pressure, largely from Home Savings and Great Western Savings, they did authorize something which I think was called a "VRM," variable-rate mortgage, in the mid to late seventies. We looked at that, and we thought it was much too inadequate. They had constraints on how much the interest rates could move in any period, and how much they could move over time. We thought that by making such a loan, the right decision if your objective was for authority for a more realistic adjustable-rate mortgage might not happen, because they could say, "We have solved the problem." Great Western and Home did make the variable-rate mortgage, but it didn't help them very much,

and I do remember at a function, Jim Montgomery, who was the head of Great Western, yelling at me because we weren't also doing it. He wanted to get as many people to do it as possible. I was arguing that the more of us that do it, the less likely we are to get a legitimate adjustable-rate mortgage.

What happened when Bush won is he brought in a new head of the Federal Home Loan Bank, who was an economics professor in Utah, I think at the University of Utah, if I am not mistaken. His name was Dick Pratt, and he was far more sophisticated. He addressed two of the three core problems that were threats to the long-term viability of the savings and loans. One was the authorization of a true adjustable-rate mortgage. The second was the elimination of the restrictions on borrowing what I call "borrowing long." I think that's come up in an earlier discussion. We were not permitted to borrow in the marketplace a two-year funding, or four-year funding, or five-year funding. That was insane, because if you have a fixed-rate portfolio, the longer your liabilities are, the less risk you have. I could never persuade the regulators to make that change. So Pratt almost from the very beginning instantaneously made those changes.

07-01:06:30
Meeker: Borrowing long, that's not from consumers, that's from—

07-01:06:33
Sandler: No, that was in the marketplace. Many corporations borrow long. Why would you prevent an institution whose assets were all long from borrowing long? I mean, the mentality, the naiveté of the regulators, is pathetic. They were financial ignoramuses. Pratt was not a financial ignoramus, so he immediately authorized the adjustable-rate mortgage, and he made that change.

There was a third change that he should have made, which he was hesitant in making—he made it partway—and that is to be able to short interest rates in the futures market. What does that mean? That means that I would be able to hedge against increasing interest rates if I could go short. We knew he was smart enough to understand why that was important to an industry whose assets are primarily fixed rate long term, and he actually told us at one stage, he said, "The problem is the folks in the industry are so inexperienced in financial terms that there is such danger if you don't know what you are doing." He said, "I would make an exception for you, Golden West, because you know as much as anybody in this area, if I could. But I can't. If you could come up with a way for me to do that, we would."

Incidentally, we tried before 1980 to short interest rates in the futures market. We found that it was not prohibited, but it wasn't authorized. So we approached Goldman Sachs to short, and after some discussion, they said they would do it if we could give them a lawyer's letter saying it was authorized. We couldn't get such a letter because, although not prohibited, it was not

authorized. If we had done that, we would have made money through the roof in ’81 and ’82. This is the kinds of nonsense we had to deal with.

07-01:08:56
Meeker: Are these ideas that Marion came up with, the shorting interest rates, or that through—

07-01:08:59
Sandler: At that point, after we had beaten up Russ in ’76 and ’77—So I told you he is introspective and shy. He joined the company in 1972 as a young MBA from the University of Chicago. He had one job before that. Incredibly quiet, but it was clear to me he was very bright.

[brief side conversation deleted]

We were in the field in about ’74 or ’75, and there was a question we had about which Russ was the best person to ask, Marion called from wherever we were—some place across the country. At that time, you called a single number, and our operator answered—Marion says, “Let me speak to Russ Kettell.” It is quiet for a minute. She said, “Well, we don’t have anybody by that name here.” Marion says, “Yes, you do.” The operator there looked it up and she found that his name was on the list. He had never received a call before, so she didn’t know who he was. He is just one of these quiet, very smart people who works very, very hard, and he turned out to be quite brilliant.

So when you ask whose idea it was, Russ was a key factor in that, and it was a combination of Russ and David Welch, who reported to Russ and who was extremely able and sophisticated, Marion, and myself. But Russ should get a large part of the credit. Ultimately, he became president of the savings and loan, chief financial officer, and still a close friend.

07-01:11:20
Meeker: I didn’t realize it wasn’t until after 1980, during the first Bush administration, that the true adjustable-rate mortgage becomes a product that you were able to sell.

07-01:11:31
Sandler: Yeah. It was authorized for some state chartered institutions, but limited to those states.

07-00:11:35
Meeker: So you hadn’t offered any of those intermediary loans before then?

07-01:11:42
Sandler: We didn’t do the VRM. No, we didn’t do any of that stuff.

07-01:11:47
Meeker: One of the hazards, I guess, with the adjustable-rate mortgage is that competitors would see it as a loss leader to get more assets to give out more loans, because they would offer extraordinarily low rates that—

07-01:12:15
Sandler: That's in part what led to the crisis of the 2008—So, shall I walk you through that?

07-01:12:23
Meeker: Yeah, walk me through it.

07-01:12:24
Sandler: [Let me provide some context. Because of the complexity of the issue for anyone not steeped in the subject, permit me to quote from a website we established, Golden West World.

"Late in the first phase of the saving and loan debacle in May 1981, Federal Home Loan Bank Board Chairman Richard Pratt authorized federal thrifts to originate a mortgage product other than a fixed-rate mortgage for the first time, namely the adjustable rate mortgage (ARM). Academic, lenders, and others had been urging regulators to permit ARM lending for several years prior, particularly given the significant interest rates risks associated with 'borrowing short and lending long' (e.g. borrowing short-term money at low interest rates from savings products and making fixed-rate mortgages that were stuck at high rates for 30 years). Since thrifts had historically been the most important provider of credit to the residential mortgage market, the regulators needed to allow ARM lending to help thrifts (most of which were portfolio lenders) avoid interest rate risk that had contributed to the savings and loan crisis that cost taxpayers $140 billion (before interest). In the wake of the savings and loan crisis, bank regulators aggressively discouraged fixed-rate lending and strongly encouraged the industry to shift to originating ARMs. For some time before 1981, Golden West and other major financial institutions in California and throughout the country, together with trade groups and others, began to study the various forms of ARMs. The research led to Great Britain and other parts of Europe where adjustable rate residential mortgages had been in use for many years. At the end of the day, there were essentially two alternate structures: the Option ARM that includes protections against payment shock such as annual payment caps and a borrowers' ability to defer interest, and the 'No Neg' ARM that is more likely to result in payment shock as interest rates rise.

Major U.S. financial institutions heavily involved in mortgage lending did an enormous amount of analysis and ran innumerable simulations. Golden West alone ran several thousand simulations, analyzing the various alternative forms of ARMs under a large variety of stress situations. The No Neg ARM was adopted by many companies in the East, primarily smaller institutions. All the major thrifts on the West Coast, and various others throughout the

country, chose the Option ARM. Golden West's and others' simulations demonstrated the No Neg ARM posed significant concerns about early, and continuing, payment shock to the borrower as rates increase. Experienced lenders were concerned that by using the No Neg ARM, they might be exchanging interest rate risk protection for serious potential credit risk problems. For portfolio lenders – that is, those who originated loans and held them in their portfolios – it was imperative that the loan work for borrowers and at the same time not present inappropriate risks to portfolio lenders.

In essence, the Option ARM operates very much like an equity line of credit, which permits the borrower to pay down principal from time to time without a prepayment fee and to borrow more from time to time.]

07-01:15:15
Meeker: This is how this particular product avoided what was called "payment shock?"

07-01:15:20
Sandler: That's right. Exactly. You are right. Most of the big companies on the West Coast had far more financial sophistication than those on the East Coast. We tracked companies on the East Coast, and we were offered packages to buy of their non-deferred interest loans, and we wouldn't do it because the risks were too high, and we saw these packages subsequently get into trouble. There were no problems from 1981 until the 2000s. Nobody had any troubles. We actually had the lowest losses of any institution of size in the country. Even though we were offering an adjustable-rate mortgage, which theoretically is more risky, our losses that we reported were lower than anybody else. Our losses averaged under five basis points a year. That's unheard of.

07-01:16:42
Meeker: Losses in terms of bad loans?

07-01:16:43
Sandler: Yeah, yes. A loss on a loan. I mean, five basis points is insignificant. Most thrifts range from fifty to 150, and banks would range from 100 to 400.

But what happened in the 2000s, the mortgage bankers started to originate ARMs—Golden West was a portfolio lender. That means that when we originate loans, we hold the vast bulk of those loans in portfolio. If there is a loss, we take the loss, so we are very careful. Our business model requires us to have extremely low credit losses; otherwise, we'll earn less money, and if we earn enough less money, we might lose money. Mortgage bankers originate the loans for sale to third parties.

So two new things happened. One, the advent of the subprime lenders, which originated a bastardized version of the ARM, not the same as ours, which was unbelievably risky, and guaranteed to have enormous losses. Ameriquest, New Century would be good examples of them. Both went under, as did virtually every other subprime lender. But all you have to do is look at the

numbers, analyze the loan, analyze that they made loans with 100 percent loan to value, with a low start rate, and you would see that if you ran a simulation, they would have payment shock in two to three years. They were gone! The day they made the loan, they were destined to go under.

07-01:18:43
Meeker: It was almost predictable.

07-01:18:45
Sandler: No, it wasn't "almost predictable"—it was 100 percent predictable, and we predicted it. We're on record.

Countrywide was actually, at one time, a very well-run organization, but had excessively high aspirations. They did two things that I think were extremely dangerous. One, they did something we never did—and many other companies did as well, but Berkshire Hathaway, and Golden West never did: we didn't give guidance. We didn't predict what our earnings were going to be. We would tell you what our strategy is, and we would provide all of our numbers, but we wouldn't tell the analyst or the money manager, "This is what our internal numbers show we are likely to earn under this scenario." Because it creates expectations, and it's a no-win situation, and I think those who do it are extremely foolish.

The second thing Countrywide did—and this is on record—they wanted to become the major, dominant real estate lender, and they wanted to take 30 percent of the market. So if you combine the desire to take 30 percent of the market and provide guidance of growing 15 to 20 percent year after year you are creating a dangerous situation. That means that with all these other people coming in, like New Century, Ameriquest, and other aggressive non-subprime lenders, Countrywide has to weaken its standards to get the volume. New Century and the others are taking away. I used to hear Angelo Mozilo curse New Century and Ameriquest for their dumb lending, which he then matched in order to get his desired growth level. And because Countrywide was such a dominant lender, it forced many other mortgage bankers and some portfolio lenders to do very stupid things in the hope of growing exponentially, not ever thinking that when loans went bad they too would be affected, even though they had sold the loans. When our loans go bad, I know we are going to lose on that. That's to be avoided at all costs. They just didn't give a damn.

I remember very clearly, one of our senior loan people coming to me because he had an experience which stunned him. He had visited a company which subsequently went under, IndyMac. You may have heard of it. He was at a meeting with them, and they said they'll originate any loan or buy any loan from anyone, as long as they are able to sell it to somebody else. Even if it's made to a monkey. He came in from the meeting and he called me—he said, "Can I come and see you? I just had an incredible experience"—to tell us this experience.

So this was really the beginning of the end. Where I missed the picture is I thought the problems that they were having would be limited to them. I didn't see the big picture, which, the people in *The Big Short*, the movie *The Big Short*, saw: that it would take down the whole mortgage market, and that you would have price declines of 30, 40, 50 percent. So there's a lot of people much smarter than I am. I could not see that. I just assumed they would go under, and it wouldn't affect the mortgage market in general. That's one of the things that's so annoying—I don't know if you want to discuss it now or later—about the various negative articles on us, in which an attack, in part, was made—they claim we moved from quality to quantity, and we also made this dangerous loan, this deferred-interest loan. Because in fact—and incidentally, it's been proven in the subsequent years—that it's the safest loan that you can make. None of our loans ever had any payment shock.

07-01:23:21
Meeker: Let's table that for now, because we kind of skipped over one mortgage crisis for another, so—

07-01:23:30
Sandler: Right, okay. We'll stay in that one.

07-01:23:31
Meeker: Yeah, let's. But that was a good preamble to what we'll talk about later.

07-01:23:40
Sandler: They're all interconnected, is the problem.

07-01:23:41
Meeker: It's interesting. I have never heard those connections drawn before, so it's good, and I think it's appropriate here. Vis-à-vis the ARMs in the eighties and nineties that were being offered, one question that came up time and time again, particularly in the annual reports, was how do you deal with low interest rate periods in which consumers want fixed-rate loans. Is this just a marketing problem, or—?

07-01:24:14
Sandler: Yeah, it's a marketing problem. It's a marketing problem, and it's a real problem. So we gave this, obviously, a lot of thought. Actually, we developed a terrific marketing device, because what we did—this is in the nineties—we tracked the experience of borrowers who took out a loan in every single month, going to back to '81 or '85, something like that. So we took somebody taking a loan at the then-offering price that we were making those loans, and then tracked what happened to that loan in the entire period from then until the present time, whatever that was. We have to redo this every year. Are you following me so far?

07-01:25:10
Meeker: Yeah. Yeah.

07-01:25:11
Sandler: So Martin Meeker—we'll use you—took out a loan in 1985. Your fully indexed rate on your adjustable was 6.5 percent. We tracked the indexes, and we found out how much you would pay in interest over that period. Okay. We have got that data. Now we took out somebody else who took out a fixed-rate loan at that time, and tracked the payments they would have paid over that period of time. Are you following me?

07-01:25:53
Meeker: Yeah, I am. Yeah.

07-01:25:55
Sandler: I might even have some of these still around. We even gave you a break. I am trying to remember the detail of that, but we did everything to hurt the case we wanted to make, to give every advantage to the fixed-rate borrower. I remember this. So let's say at the end of 15 years or 20 years, whatever it was—let's take 20 years. So 20 years times twelve, that's 240 months. In every month but six, the person who had the adjustable would have paid less interest over that time. That's a fact. Pure numbers. That's pretty impressive. So the only time, actually, you didn't come out ahead is if you made the loan at a very, very low period in the cycle.

07-01:27:01
Meeker: Like now?

07-01:27:03
Sandler: Yeah. But it's interesting. We tracked Wells Fargo, and for a long time, they reported—I think they stopped now, but for at least ten years—and those loans didn't pay off. Our adjustable-rate loans didn't pay off, because they couldn't get another loan as good as our option ARM.

07-01:27:24
Meeker: Right. Hmm. And were you able to translate this—

07-01:27:29
Sandler: But the point is it's still harder. Is that the end of the world?

And here is another thing which, when we discuss the *Times* and *60 Minutes*, is so interesting, because if we knew what they were thinking, we could have given this information: we don't have to grow. What are people interested in? They are interested in the growth of earnings, and over a cycle, they'd like to see consistency. It may go up and down, but as long as the trend is in this fashion—So what happens, though, during a period like this, in which—and I described it earlier. Remember when I talked about positive slope yield curves and negatively slope yield curves, and how one is good for operations but bad for earnings, but it catches up and it even outs over the cycle? In the kind of environment you are talking about, I am going to usually—not always, usually—originate fewer adjustable-rate mortgages. Lots of stockholders don't like that. So the price of the stock tends to go down during that period.

We are a capital-rich company. We have excess capital. We buy stock in. I'm going to explain this. So what that means is my earnings will actually, in the future, go up faster.

07-01:29:28
Meeker: Because you have fewer outstanding shares?

07-01:29:29
Sandler: Fewer outstanding shares. So we trained all our people on something called a "ten-year plan." It's a wonderful thing that Russ and I devised. We would give them a set of assumptions—and this is how we trained management, senior management and middle management—then we would change the interest rate assumptions. What it enabled our employees to see is that although for the long term, we would prefer to be able to originate a steady diet of loans, to the extent we didn't, it made minimal difference over time. If you are short-term oriented, you are going to do something stupid. We were never short-term focused. Always focus for the long term. If you live long enough, it would be the equivalent of a leveraged buyout, in which you would own the whole company, which would make you very, very rich. So although it's better to grow quality loans, the failure to do so doesn't hurt you, except in the short term. But we didn't care about the short term.

07-01:30:57
Meeker: It seems like good stock purchasing advice overall to find out for the companies that are purchasing their own stock back.

07-01:31:06
Sandler: Well, it depends, because people don't know when to buy back. But we knew after a while that every time we were in one of those periods, the stock would go down—and we knew we were doing terrific. So the stock is down; why not buy it in at that price?

07-01:31:26
Meeker: This point that you were describing to me a few moments ago where you were saying that over the life of a loan, or average of six years, or something like that, the person who gets the fixed rate is actually going to be charged higher interest rates than the person who is getting the adjustable—

Sandler: Well, remember, when you are going in, our starting rate is lower on an adjustable-rate mortgage, and it turns out that plays out over time in a very favorable way.

07-01:31:49
Meeker: Were you trying to communicate this to consumers in marketing?

07-01:31:52
Sandler: No. We had a printed brochure. We were not overselling. It was totally straight. People were sitting down analyzing the exact numbers and tracking, people double checking to make sure we weren't overstating it or understating

it, that it was totally accurate. You show that to somebody, and it makes a lot—

07-01:32:17
Meeker: So you think consumers—

07-01:32:18
Sandler: Excuse me. There is one other benefit. Do you know what a due-on-sale clause is?

07-01:32:23
Meeker: No.

07-01:32:24
Sandler: Okay. When you make a fixed-rate loan at, let's say—I am using interest rates which are in more normal periods than what we are in now—at 6 percent, and you, Martin Meeker, have made that loan. Now you move, and you sell the house to somebody else, but the environment is now an 8 percent environment. I, as the lender, have the right not to let your buyer take over your loan at 6 percent. I exercise what's called the "due on sale." I am happy to make the loan to you, but at the current rates. That's a difficulty, isn't it? Let's assume you are being transferred to New York, and you have to sell that house, but somebody else doesn't want to buy it at an 8 percent rate. You are frozen. On an adjustable-rate mortgage, your buyer has automatic right to assume your loan. It's a pretty big benefit. We don't care, because that loan moves within an index, so I wouldn't be charging any more—I'd be charging you that rate. It's going to be the right rate.

At one time, actually—I used to have a big fight with Jerry Brown on this—at one time, either he killed or endorsed the killing of the due on sale. Ultimately, he changed it later on back, because it's another danger to the viability of a thrift that I have to take on a 6 percent loan for the whole life of the loan no matter who lives there?

So there are a series of arguments and issues you can show, and then the customer makes up his mind. If they insist on a fixed-rate loan, we will make the fixed-rate loan, but we will sell it immediately. We don't want to hold it in portfolio. We don't want fixed-rate loans on the portfolio.

07-01:34:55
Meeker: I have some questions around governance. I know that we have already talked some substantial bit about the S&L crisis, but I think we'll definitely wrap that up next time. And I think next time, we even should get some time to get started around more philanthropic issues, finally.

07-01:35:19
Sandler: Yeah, which is really where my interest is.

07-01:35:21
Meeker: Right, it is. I know. But this has been really extremely helpful today, and I'm really happy that I devoted the time to study up on this, because I think it was—

07-01:35:32
Sandler: Yeah. Well, you could always talk to Tom Laqueur. He is an expert who used to come to some of our conferences. He used to like to do that.

07-01:35:39
Meeker: So with governance, I know that you had said that Kettell and Judd were hired in the seventies.

07-01:35:45
Sandler: Yeah. Russ came in in '72, and Jim came in in '74.

07-01:35:49
Meeker: I guess it was, then, in the early eighties that they were asked to join the board or the executive committee?

07-01:35:56
Sandler: The office of the chairman. I can't remember when it was, but it was—

07-01:36:00
Meeker: I think Kettell maybe in '81, and Judd in '83? Does that sound about right?

07-01:36:05
Sandler: Well, I think they came on at the same time, if I am not mistaken. It was a de jure confirmation of the de facto situation.

07-01:36:15
Meeker: Okay. So that didn't necessarily change—

07-01:36:20
Sandler: It didn't change a thing, just a recognition of their role.

07-01:36:25
Meeker: Well, can you tell me about what the role of the board was for just in general?

07-01:36:32
Sandler: The office of the chairman, or the board of directors?

07-01:36:35
Meeker: Well, describe the differences for me, and then maybe tell me about their relative roles.

07-01:36:40
Sandler: The board of directors was the governing entity of the institution, elected by the shareholders. As you can see, sometimes a board doesn't operate as it should, in the case of Wells Fargo recently. They are there to ask questions and ensure that we are on track, doing the right things in the right way, and

not doing horrors like was done there, which was a great surprise to me. So they are the governing board.

The reality, of course, is that the bulk of the stock was owned by Marion, myself, and her brother, Bernard, or "Barney," so obviously, we have an enormous amount of influence. All three of us are on the board. Since we were truth speakers, we took our job seriously, had a lot at stake, and communicated in great detail to the board, and very forthrightly and honestly, how we were doing, what we were worried about. We would always discuss what we were worried about—"What is it that keeps me up at night?" kind of things. We actually spent an enormous amount of time on developing our board reports, and the thesis I operated under, since I was largely responsible for that, was if I were a board member and I came into a board meeting four times a year, plus or minus—maybe a couple more, but averaging four times a year—and I lived in Paris, what would I want to see that would make me feel confident about what was happening? Actually, we received requests from our regulator: could they share our reports with others? Because nobody else did anything like what we did. But we gave it a lot of thought, and a lot of energy.

The office of the chairman is really just a name for something; that we were the policy setters of the day-to-day operation of the institution, Marion, Jim, Russ, and myself. But that was a fact. Most of the company reported to Jim, both the Savings department, the Loan department, and I think also Human Resources. The Financial people reported to Russ. Marion had Marketing and Mutual Funds in addition. I am not sure I had anything directly reporting to me, except I was involved in everything. We were in each other's office all the time, talked all the time.

07-01:40:02
Meeker: Well, you and Marion, as well as Barney, were on the board, correct?

07-01:40:08
Sandler: Yeah. We were on the board, right. Barney [was not] at all involved in the day to day.

07-01:40:11
Meeker: Right. Were there more or less impactful or influential individuals who sat on the board in addition to the three of you?

07-01:40:20
Sandler: Well, actually, we picked the board very carefully, actually. As you know, we were one of maybe two companies that were majority women, of directors.

07-01:40:36
Meeker: Later in the nineties?

07-01:40:38
Sandler: Yeah. But I want to be totally honest with you: if you are running a company well, and you are not doing any hanky-panky, and everything is straight—you

make the usual mistakes that everybody makes; nobody is perfect—the most important assistance that the board members can make—my observation, not only at our own company, but any other company I've ever looked at—is the offline relationship. So for example, one of our board members is from UC Berkeley, Ken Rosen. Ken is one of the leading real estate economists in the country; probably the top three or four people in the country. You have somebody who knows as much about everything that's going on in real estate and whose whole time is forecasting, and who charges a whole bunch of banks a lot of money for his input, and we get it for a small fee, that's pretty terrific.

So Leslie Tang Schilling, you may know the family; also is on the Board of Regents. Leslie is a real estate expert is well.

07-01:42:11
Meeker: Did Galen play much of a role?

07-01:42:13
Sandler: Not really, no.

07-01:42:15
Meeker: He was there because of his ownership stake?

07-01:42:18
Sandler: Right. Right. Let's see. Pat King was a professor of law. Just retired; I just saw her. Just retired from Georgetown. Expert on employment and ethical issues. Antonia Hernandez—Pat is African-American, Antonia is Hispanic. Very knowledgeable on all kinds of ethnic issues, a great deal of sensitivity, and very helpful in that area.

Jerry Gitt was the leading savings and loan analyst in the country for about twenty-some odd years. Always scored number one in the *Institutional Investor* list. This was after he had retired from that, and extremely knowledgeable about the industry, and who did what to whom, and where, and so forth.

07-01:43:40
Meeker: It's all right. The board meetings that happened quarterly, these were typically one-day affairs—

07-01:43:44
Sandler: Yeah. Typically four hours or so. If there was a long presentation, which I did regularly, every few years, Russ and I and Marion and Jim, together with whoever else we wanted to help us—and I just went through one recently; I was just looking at it—went through a lengthy presentation on all the issues of risk that could happen, and changes in the economy, changes in the laws, and where the risks were, what our strategy was to deal with it. That would be a very long meeting. But other than that, they would range three to five hours.

07-01:44:34
Meeker: It sounds to me like a panel of expert advisors to whom you could have confidential conversations. They acted as—

07-01:44:42
Sandler: Yeah.

07-01:44:43
Meeker: —a sounding board rather than—

07-01:44:57
Sandler: But the directors are supposed to ask questions and see what troubles them based on their experience. But if you want a general comment—and it may sound slightly arrogant, and I have observed other boards, and talking with boards— does it make a change of a half a cent a year? I doubt it. They are there to check you and make sure you are doing the right thing. If you are doing the wrong thing and they don't fire you, or resign if they can't fire you, there is something wrong. So that management should operate in the highest ethical and moral way, and the directors know it when you are. And they all had a great deal of confidence in us, as we had confidence in them.

Interview 8: July 13, 2017

08-00:00:11

Meeker: Today is July 13, 2017. This is Martin Meeker, interviewing Herb Sandler. We are here at the offices of the Sandler Foundation, and this is interview session number eight. So let's begin.

What we are going to wrap up today talking about is the savings and loan crisis. To begin, I'd like to hand it to you, and ask if you can give me your diagnosis of what caused this crisis.

08-00:00:52

Sandler: It's actually quite simple. The savings and loan business essentially is one which took in deposits and made residential loans, from its start going back to Philadelphia in 1831. But we have to move forward now to the 1950s and sixties, and seventies. That formula worked as long as the economy was stable, there were no volatile movements of interest rates. So with a stable interest rate environment, it was an incredible business in which even the most inexperienced and incompetent people could be successful. But it had a flaw, and that is that if the environment was not stable, there was enormous risk, and that began to become clear in 1966—which we discussed earlier—a period, in which money got tight, disintermediation took place, which meant savings did not flow in—they flowed out.

But the problem did not become serious until the late 1970s, and going into the 1980s. The way we would describe it is that the problem of the savings and loan business was that they borrowed short and they lent long. As long as interest rates are stable, since longer rates are almost always higher than shorter-term rates, you have a terrific, profitable money-making machine, as long as you didn't do anything overtly stupid. Now it began to become very challenging, and in fact, in the early eighties, interest rates that you had to pay on deposits were now higher than the rates that you were receiving on your loans, so you had a negative spread, which meant you were going to lose money, and the longer that situation continued, the more institutions were going to go out of business. I would call that phase one of the crisis.

[paragraph deleted by narrator]

Then the last part of it I would describe as one in which the crooks and high rollers, and charlatans and phonies, were attracted to the business. Now, what happened is the government, in its infinite lack of wisdom, increased lending powers. Instead of essentially being restricted to residential loans, institutions could originate large volumes of commercial real estate loans, they could do construction lending, development lending. What these folks saw is my god, I can sign Uncle Sam's name for money for my other businesses. So it attracted people like Keating, Charlie Knapp—a whole series of people who did not belong in a business in which moral hazard existed. When I offer you an

insured deposit, I am signing Uncle Sam's name. That's an incredible authority, and yet, all kinds of high rollers saw that opportunity. If you were a developer, you had to go out and borrow money, but if I owned a savings and loan, the savings and loan could do the lending for my developments.

And so a series of terrible, terrible loans were made, which were sure to lose money. There were things that we never heard of before. I may have discussed this earlier, see-through buildings: an office building in which there are no tenants. But for the first time in my life, I saw see-through shopping centers, in which there are no tenants other than an office of the savings and loan that had made these loans to developers, collecting the fees. At first, the developers made a ton of money, and the savings and loans at first looked like they were earning money from the fees they were receiving, but of course, the payments were not going to continue because the fees were paid out of the money they were lending, if you can understand that insanity. And so this thing just mushroomed, and it started in the late seventies—that was the result of borrowing short and lending long—and it persisted through the entire period of the eighties as well.

08-00:07:11

Meeker: I can understand the high rollers, the rapaciousness, the people who were taking advantage of the system, because it's not ethical, but it's logical behavior. I'm curious about those running institutions where they were paying such high rates, and yet recognizing they weren't going to be able to recoup it in the loans that they were making.

08-00:07:37

Sandler: Oh, when you are trying to stay alive and somebody has got air that they are feeding you, you are going to gasp at that air and suck it in, aren't you? You are not going to let yourself go under. The way to look at the managements, though, these are folks who largely were in a highly-protected industry. Remember, what they could pay on deposits previously was regulated by the government. The government said, "You may pay no more than this." You could lend only within fifty miles of your home office. You can do this, and you can do that. Everything was heavily, heavily regulated. Now, all of a sudden, instead of this protected atmosphere, you are in a jungle, and you are a like a tabby cat suddenly facing tigers and lions. There is no way these people could make it. They probably shouldn't have been running a financial institution in the first place, because it was predicated on a particular type of environment which could not last indefinitely, but nobody thought of that. We didn't think of it when we got into the business. That was not on our mind, about the risk of volatile interest rates. We had the experience and the knowledge to know how to deal with it when it came.

08-00:08:52

Meeker: At this point in time, did Fannie Mae and Freddie Mac play a role in contributing to the crisis?

08-00:08:57
Sandler: I'm one of those who don't think they were the key players. Fannie Mae was created coming out of the '33 recession, and they really exist for the purpose of providing liquidity to traditional financial intermediaries when it was hard to take in deposits. They were to lean against the wind, as it were. They were to be there when other money wasn't available. Freddie Mac was started either in the seventies or in the eighties—I don't recall—and their purpose was to improve the secondary market; that is, the market by which Institution A could sell a loan to Institution B, to take money from capital surplus into capital short areas where there was a much greater demand for loans.

But, however, they garnered enormous power. They were a government-sponsored enterprise because everybody assumed that it was like lending to the government—you took Fannie Mae and Freddie Mac paper, it was like government paper. They thought it was like a Treasury bill: even though the language made it clear that it wasn't a direct obligation of the government, nobody questioned that the government would stand behind it. Because their regulatory framework was very soft and easy, they actually wrote the rules. They actually wrote the actual rules which governed their method of regulation. That's kind of incredible, isn't it? And they got bigger and bigger.

But they were a positive/negative. What they did is they commoditized the residential lending business. By that, I mean that they set the rates based on their terrific borrowing power, in which they could borrow at lower rates than anybody in the private sector could. The rates on loans could not go above X. That was a difficulty. However, they were not irrational players. They were not stupid. They were highly intelligent. They were very greedy, but they were highly intelligent. Again, it was a positive/negative. As a competitor, I didn't like the fact that loan rates were so much lower. On the other hand, they were not acting irrationally. A lot of people tried to put the blame on Fannie Mae, and Fannie Mae and Freddie Mac did do a couple of things they shouldn't have in response to the competition created by major mortgage bankers like Countrywide and Washington Mutual, and others, and the subprime lenders, and they got tempted. But they were not a cause of the disaster in my opinion.

08-00:11:58
Meeker: And what you are talking about is actually a later era, at this point in time.

08-00:12:03
Sandler: Yes. You are absolutely right. It was much later. We used to actually lobby against Fannie Mae all the time. I was regarded as an enemy of Fannie Mae. They really were very sophisticated. Everybody thought Citicorp would be the most sophisticated lobbyist; they were like in kindergarten compared to the sophistication of a Fannie Mae, which was headed for a time by a fellow named Jim Johnson, who had been the chief of staff to Mondale, a highly intelligent guy who understood how to use power and lobbying.

There was a period of time in which I would be in Washington for some matter, and when I would be in Washington for some business matter, I would always stop in to see various congressmen on the banking committee to discuss policy issues. Frequently, I would be antagonistic to things being advocated by Fannie and Freddie. And what I am telling you now is a true story, which is hard to believe. Without fail, if I would go to the office of somebody like Chuck Schumer, or Jim Leach—Schumer Democrat, Leach a Republican, both highly intelligent people on the banking committee—and tried to argue for a particular policy position, within an hour, there would be a group of people in that office from Fannie Mae, Freddie Mac, Mortgage Bankers Association, National Association of Home Builders, and the National Realtors. They must have had people there who watched who went in that office, or people in that office who let them know, and they knew that if I was there, I'm probably discussing Fannie and Freddie, because they were the big force, and that's what I had to deal with.

08-00:14:00

Meeker: You said you were in competition. Can you describe the competition and how was it that—

08-00:14:03

Sandler: A competition in the sense Freddie was always trying to enhance their powers to make the securitization business easier, which would force interest rates on loans down and create more difficulty for those of us in the private sector to compete.

I can't remember it clearly, but there is a kind of an amusing story, and I think it was on something called REMICs. I hardly remember what REMICs were, but I testified, and on the other side were Fannie and Freddie, and Lewis Ranieri, who was the father of mortgage-backed securities who had been at Salomon Brothers. Nobody thought I had a chance. And believe it or not, it appeared I won. What happened was that somebody from the joint tax committee reviewed the material, and they felt that they were in violation or they had a whole bunch of problems. It was something like ten or twelve problems. And I won, and I remember very clearly that Lewis Ranieri came and he said, "It's better to be lucky and dumb than smart and unlucky."

But then what happened, to show their power, is that within a period of a couple of months, they corrected every issue raised by the joint tax committee, and the legislation passed. So I won for a moment in time, but I lost on the whole argument. Actually, X number of private institutions were hurt by that result because they could not reduce their expenses enough. It may have been good, on the other hand, for borrowers. There are all kinds of public policy issues which crisscross each other.

08-00:16:07

Meeker: I believe as part of deregulation, there was a reduction of capital requirements for S&Ls? Is that correct?

08-00:16:12
Sandler: [At that time, the capital requirements permitted averaging. Let me explain. Normally, the capital required would be a percent of total assets or something called risk assets. Pretend that the institution's assets were $100 million dollars and the capital requirement was 5 percent of assets. That institution would have to have $5 million in capital. Assume, however that the institution had grown rapidly from $10 million in assets 4 or 5 years ago to $100 million. Under the averaging concept that institution's capital requirement would be much lower than $6 million and would be radically undercapitalized and probably should be closed. Thus, not only would a weak institution survive, but it would be incented to grow as fast as possible.]

I remember very clearly being at Disney World in Florida, where there was a United States Savings and Loan League conference. I was on the legislative committee, and in the morning, I had gone around the room to speak to folks personally before the meeting officially started about the importance of significantly increasing the level of capital that would be required and eliminating the averaging test. More than a majority of people were in favor of it. However, at the time I was having my conversations, the president of the league had not been present, a fellow named Bill O'Connell. He came back and he heard what I had done, and he knew there was going to be a problem, in protecting. His primary interest was how do I protect everybody, including the weak institutions even though they should no longer be in the business because they are endangering everybody else. By the time the issue came up, I made a motion, and it turned out to be a unique motion, because it died for want of a second. Everybody whom I had gotten to agree with me, after O'Connell talked to them privately, they just wouldn't second me, and the motion didn't go anyplace. That motion would have saved a lot of the institutions in that room who could not survive due to the irrational competition from the weak institutions which lasted longer because of the averaging test.

08-00:18:43
Meeker: It's interesting how many different factors, of course, play into this. Are there any factors that you haven't seen reported on, or historically haven't been given enough attention?

08-00:19:00
Sandler: Well, it's the lobbying. Look, our system is corrupt. Money is key. People who make large contributions have access, and they have enormous power over congresspeople. Not all of them; there are many good people there. But if you try to pass a bill which any well-capitalized, wealthy industry is opposed to, it's almost impossible to succeed. You may not be able to pass legislation that you want, even though you have the financial power, but you can certainly stop almost anything. You are watching it happen all the time, and everybody knows it, and they all put up with it. If we had public financing of elections, it would go a long way to solve those problems, but it's in nobody's interest to do that, except for the people of the United States. That's the reality.

I'm a Democrat; I was at a Democratic Senatorial Campaign Committee meeting. The then-chairman was somebody named Don Riegle, who got hurt in the Keating problem, incidentally. I was talking to him about what the problem was. I was advocating policy. I wasn't advocating anything for me or for our company personally; I just said, "If you want to have an industry, you have got to have serious capital." And I was surrounded by people who were lobbyists, who were being paid by weak institutions who should no longer have been in the business, yelling against me. It was yelling in a public area, in a meeting. It was a shock to me the way they fed on him and were attacking him, and that he couldn't do this thing, and he was going to hurt all these people. The people we were going to hurt were crooks and bums, and people who should have been out of business. And that's what he had to deal with.

08-00:21:27

Meeker: The most remarkable thing about all of this is that—like your description of what happened down in Florida—you have these trade associations, and they are actually not lobbying on behalf of what will truly benefit their industry, they are lobbying on a very shortsighted way to maintain maybe the size of the industry as opposed to the strength of the industry.

08-00:21:56

Sandler: Yeah. It's typical. And very interesting. I had a personal rule—and I am not a goody two-shoes; I am not saying, "Oh, aren't I wonderful?" But I think there should be rules. So when I would come in and I was talking about a policy issue, I would say to the person I am speaking to, "If you agree with the argument I am making, I want you to know that I will benefit in the following ways, and so will other well-run conservative institutions." Anyone arguing a position should identify what's their interest in so he or she—the senator, the congressperson—knows where you are coming from and why you are there.

08-00:22:53

Meeker: I'm curious. In the midst of all of this, was there ever a moment in which you and Marion sat down and said, "The walls are starting to crumble down. Let's just get out of this? These people"—

08-00:23:05

Sandler: No. We always thought we could change the world. We always thought right will emerge, and people will do the right things. Looking back on it, as a New Yorker, I am so naïve. I still think right will result, even in the face of reality.

08-00:23:30

Meeker: Well, how was it, then, that Golden West avoided getting caught up in the crisis?

08-00:23:34

Sandler: Because we understood the business we were in, and we understood—we had a business plan that worked. I have some things I have with me that we used all the time. Is it okay to talk—

08-00:23:49
Meeker: Sure.

08-00:23:52
Sandler: This document [see Tables 1–5 below] actually lays out the essence of the key elements of all financial intermediaries, although I am going to do it in a way which discusses the savings and loan business. This is a presentation we used to train our people, because most people, including managing officers and CEOs of financial institutions, really don't know what the essence of their business is. This was actually created by Russ Kettell, with some modifications by me, because it goes to the essence of explaining a financial intermediary business. We talk about some of the critical items, such as [side conversation deleted; speaking from documents] capital, asset quality, cost control, interest rate risk, profitability control growth. We call this "five easy pieces" because there are five critical factors here, the first of which is the spread. This is the operating statement of a savings and loan, but it's also true of a bank, et cetera. But I am going to direct it towards the savings and loan business.

In a commoditized business, the spread, which is the difference between what you earn on your earning assets minus what you pay on your costing liabilities, which are deposits and borrowings. In a commoditized business, due to the impact on the loan rate side of Fannie and Freddie, and on the deposit side by the mutual fund industry, which is competitive for deposits, is 225 basis points. That's quite low. This is for a risk-averse company.

08-00:25:49
Meeker: These figures are basis points?

08-00:25:52
Sandler: They are basis points, basis points, one basis point being one one-hundredth of 1 percent.

08-00:25:57
Meeker: So 225 is 2.25 percentage?

08-00:25:59
Sandler: Right. Yeah, yeah. And this is done as a percentage of average assets.

The next item we have is something called free funds, and what that is, at that time, and for most of the periods, except for the current period, it wouldn't be true, if you were adequately capitalized, that capital, that excess capital, minus non-earning assets, would earn, typically, about 30 basis points. That gives you gross revenues, before fees, of 255 basis points.

TABLE 1:

SPREAD	225 BP
FREE $	30
TOTAL	255
FEES	15
TOTAL	270
G & A	100
→ CREDIT	5
TOTAL	105
PRETAX	165
TAXES	66
EARNINGS	99 BP

TABLE 2:

SPREAD	225 BP
FREE $	0
TOTAL	225
FEES	15
TOTAL	240
G & A	100
CREDIT	5
TOTAL	105
PRETAX	135
TAXES	54
EARNINGS	81 BP

TABLE 3:

SPREAD	225 BP
FREE $	30
TOTAL	255
FEES	15
TOTAL	270
G & A	100
CREDIT	50
TOTAL	150
PRETAX	120
TAXES	48
EARNINGS	72 BP

TABLE 4:

SPREAD	225 BP
FREE $	30
TOTAL	255
FEES	15
TOTAL	270
G & A	175
CREDIT	5
TOTAL	180
PRETAX	90
TAXES	36
EARNINGS	54 BP

TABLE 5:

SPREAD	225 BP
FREE $	0
TOTAL	225
FEES	15
TOTAL	240
G & A	175
CREDIT	50
TOTAL	225
PRETAX	15
TAXES	6
EARNINGS	9 BP

Our strategy as a risk-averse institution, low-cost institution, was we were not a fee-charging company. Some companies have their whole business plan based on extracting fees for all services. We were not, so we had—very low earnings on the fee area—15 basis points.

So those are the first few items: spread; free funds; and fees. Now we have two items on the other side. Cost, general administrative costs. We felt that we could operate at 100 basis points or lower—we'll come back to this later—and on the credit side, we tried to hold our losses under five basis points. That means a total of 105. You subtract that from the 270. This is your pretax earnings at 165; after taxes, sixty-six basis points; you earn ninety-nine basis points. That is a well-run, healthy, successful operation. Now, let's make some changes.

08-00:27:47
Meeker: When you say five basis points of credit, that's what you are paying for deposits?

08-00:27:51
Sandler: No, no. No. Credit are the losses on foreclosures of loans. I have losses on the loan. It's credit losses. These are the negatives. General and administrative costs to run the business—what I pay in salaries, and all the buildings and

everything else—and the credit is when I have a foreclosed piece of real estate, which we might sell at a loss.

Let's take an institution, keep all the factors the same, but change one factor, and that is the free funds. Because most savings and loans during this period of the eighties actually were not earning anything on their capital because their capital is lower than it should have been, and they had high non-earning assets. You reduce capital, by a non-earning asset. So then non-earning assets, in many cases, was the same as their capital, and therefore, they were earning nothing.

08-00:28:50
Meeker: So that's the problem associated with low capital?

08-00:28:53
Sandler: Ah-ha! Now, that company, with that only one change, would earn eighty-one basis points instead of ninety-nine. That's not bad. You are a survivor; you are viable. You are not a great investment, but you are okay. You are going to be around, and you are going to do good things.

Now, let's restore the thirty basis points there, and what we are going to change now is credit. Instead of the five basis points it had before, I am going to use fifty basis points. Now, incidentally, you should know that fifty basis points of loss during that period was much lower than what the reality was. The reality was the average credit losses were much higher than that.

08-00:29:36
Meeker: Particularly for S&Ls who are loaning to—

08-00:29:38
Sandler: Right, right.

08-00:29:39
Meeker: —commercial real estate, I would guess.

08-00:29:42
Sandler: So we are going to just take the fifty basis points off, and now the earnings get further reduced, to seventy-two. [makes sound indicating mild unease] You are starting to get a little worried now. You are going to survive, but you are not going to go anyplace.

Let's restore that, and now let's make a change in the cost of running the business—the general and administrative costs. Everything else goes back. I am earning on the capital, and I may only have five-basis-points losses on my loans. Change the general and administrative costs to 175 basis points. Now, the average in the industry was higher than that; it ran between 200 and 250. But I took 175. Now, all of a sudden, you're bottom line is down to 54 basis points. You are not a survivor in the long term. You are going to just edge along, and then you are going to be acquired or go out of business.

Now let's get to the reality of the eighties. This is how you can understand the savings and loan crisis. Let's change those three items. We know most institutions' capital minus the non-earning assets are zero; therefore, you are not going to earn anything on capital. Let's assume you have general administrative costs below the actual average, but closer to reality of 175. And let's assume your credit losses are fifty instead of five, which is still not bad during that period of time. What are you earnings?

08-00:31:10
Meeker: Nine basis points.

08-00:31:12
Sandler: Bye-bye!

08-00:31:14
Meeker: But that's still on the positive side.

08-00:31:16
Sandler: Oh, but you are not going to survive. You are going out. You are going under. You are not going to be around. That's the system.

I'll tell you a story which is also true. I was at lunch with somebody who was then the comptroller of the currency, and we are talking about the business, and I penciled this for him on a napkin. He insisted on taking the napkin because it gave him, for the first time, an absolute insight into everything. This is the same as the banks, except the banks, instead of the spread being 225, might be 350. The free funds would be the same, the fees would be much higher, but the general administrative expenses could be as high as 4 percent. Yeah. And the credit losses would be much higher. But it's the same business.

The brilliance of this model that Russ developed: it's the essence of a financial intermediary business, and if you understand this, you understand what you have to do, and how you have to operate. Now, for many years, we averaged less than five basis points of loan or credit losses per annum over a forty-year history, our general and administrative expenses in some years got down to as low as eighty, so that explains a lot.

Actually, there is one more story.

[Side conversation deleted]

I can't remember what the year was; I think it was in the nineties. There was a new head of Home Savings; name is Charles Rinehart. It was at a Merrill Lynch conference in New York, and the panel included the CEO of Home Savings and the CEO from Great Western. I can't remember whether we were in the same group or in a separate group, but Rinehart said something which I thought was fascinating. They had changed their strategy. They were lending on all kinds of assets other than residences. They were lending all over the

place on different kinds of loans, large commercial loans, and I think they were doing a mortgage banking business. And they were questioning him about it, and he said, "Well, I just arrived here last year, and I analyzed everything about our company"—Home was the largest institution in our business—"and we are too late. Golden West understood the essence of the business many years ago and they focused on the quality of their assets and on their costs of running the business, and that makes the business model work, because if you are a low-cost operation and you have no or low losses, no matter how commoditized the business is, you can be successful in residential lending. We are too big and I am too late to do that. It's too hard. So we chose this other way of seeking to get higher revenues by riskier activities."

He saw it, but he felt he could not address the problem. It was too hard at the stage where they were, historically. I was stunned by the comment because I have never seen that before, where somebody else, particularly a competitor—and a competitor who is eight to ten times our size—is making comments like that.

08-00:34:46
Meeker: If he sat down, instead of saying that, and took you out to lunch and say, "How do I get my G&A down from 250 to eighty"—

08-00:34:55
Sandler: No he says it's just too hard to accomplish. He didn't think that it could be done because of what their infrastructure already was. It was too hard to do.

08-00:35:09
Meeker: Right. The counterfactual. So if he had come to you, what advice would you have given him?

08-00:35:13
Sandler: I would have been straight with him. There is no magic to it, incidentally. There is no magic to it. We could talk about that later if you want, or we can talk about it now.

08-00:35:21
Meeker: Well, yeah. What would you have told him to do?

08-00:35:24
Sandler: So let's see. Actually, we laid it all out, in a sense, in our 1996 annual report, I believe. Is it '96 or '86? No, '96.

So first of all, there are no secrets. If you read stories about us, there were so many stories about us, because we were kind of unique and fun to write about; because of being a husband and wife team, a woman CEO, that made us interesting.

08-00:35:15
Meeker: Right. That's highly symbolic, but in reality—

08-00:36:19
Sandler: The reality is it's the thoughtful strategic spending of money that saves money. Looking at the bottom of these pages in the '96 annual report, we talk about a technology update, and we talk about the kinds of changes we had. We had changed our loan information and loan service information system. We said, "Recent improvements to our mainframe-based front-end loan production system involved developing automated interfaces not only to personal computer applications such as appraisal data, but also to outside information sources." This just incredibly created efficiencies beyond—it's an investment which paid off multiple times, then—

08-00:37:14
Meeker: Can you unpack that a little bit? What did that change actually mean?

08-00:37:17
Sandler: Here is a better one. Here is imaging. "In 1992, Golden West implemented a program to scan the company's existing and future loan files into an optical imaging system. The imaging from over 200,000 paper files to a computer-based viewing platform"—I don't have to go run to something over there. I am on my computer; I call it up. And everybody else in the company can call it up. You can have an appraiser in the field who is confused—there is some issues here and he needs help—he just calls his boss, and his boss says, "A second. Which one?" He calls it up, and they are both looking at the same file. This was like a revolution! I mean, A) better decision making, and reduced costs. Then we moved to electronic forms so we could finalize mortgage documents on site. These were amazing things that are going on.

So one of the reasons for our success in using technology to reduce costs was that we did enormous front-end energy on technology. How can we use technology to be more efficient? What's been developed? We are probably the only major institution I know that never had a big boo-boo in data processing. So Home Savings, which was the largest S&L came up with a new loan origination which cost hundreds of millions of dollars, and it ended up not working. They had to dump it. We never had anything like that.

We did something else unique in data processing: we put our data processing people not in a hidden area off someplace in the data processing world; we had them sitting right next to the users they were servicing. They really understood what the loan origination people needed, not because somebody sent them an order form for it, but they understood it because they talked with them, they had lunch with them, they went back and forth, and the same thing on savings. It was kind of a very exciting thing. I take credit for that because I really pushed that, because they talk different languages, and you want them to talk together and understand each other's issue. So that meant that loan people would not be so critical of the IT people because they realized how hard some of the things that they were asking for were to put up, because they were talking to the person. He wasn't in some off-site area where there was a lot of electronic equipment. That was a big deal.

So all of these—like talk about branch automation, developments that we had—This was a big deal on networks, the sharing capabilities of personal computer software. They were called L-A-Ns, LANs, within workgroups, and wide area networks, which are WANs, among geographically-separated facilities. So today, they point out in this, "More than 1,700 individual users can hook up to the company's network, thereby having the ability to access common databases, communicate with each other via electronic mail, and work on documentation of projects together." That's automatic today; this was before the internet. And it goes on. Incidentally, it goes on and on.

08-00:40:41
Meeker: The interesting thing about this is not that the company was investing in IT, because all companies—nonprofits, everyone—was investing in IT at this point in time. The unique thing, it sounds like, is that this actually was a money-saving device—

08-00:41:04
Sandler: Right.

08-00:41:04
Meeker: —as opposed to productivity?

08-00:41:06
Sandler: It increased productivity and increased the quality of customer service. The two things that drove us were to improve customer service, and the other is to create efficiencies: have people more productive because they had tools that made them more productive. I remember when we introduced workflow, which automatically sent it to the right person to do the next step. I remember something in our San Antonio offices which I hadn't seen in a financial institution. We wanted files to move in a certain way from this area to that. They developed, just like in a manufacturing facility, a system that moved files along, just like we were a manufacturer. I had never seen that before in a financial institution. I used to go there to look at it because it was so interesting. You would see these files and boxes and moving to the right person, who would pop off at the right desk at the right time.

08-00:42:04
Meeker: That's quite interesting. Thank you for sharing that.

There are a couple of other points that I'd like to ask you about as far as Golden West's maintaining vitality in the 1980s. Can you describe how you managed to successfully navigate the interest rate lag?

08-00:42:25
Sandler: Well, first of all, things develop over time. Until 1981, we did not have the authority to make any adjustable-rate loans. Then we finally got it under Chairman Pratt, and we started to make adjustable-rate loans, having given the structure of the loan an enormous amount of thought.

But you have to understand there are several ways of having perfection. One way of perfection in a stable environment is a fixed-rate loan and a deposit. That's terrific, but that world doesn't exist anymore. So how to deal with interest rates? Having this adjustable-rate mortgage, the best way to do it is to have a loan the index of which is the cost of our money. Nobody thought of that in 1981, so there were Treasury bills, which was an external index you could look to; very dangerous, because Treasury bills are the most volatile of the indices you could use. It would undoubtedly hurt the consumer, and end up, potentially, in a foreclosed loan. That's the last thing in the world. As a business that held all our loans in portfolio, we would never make a loan like that.

So we started with an index which other institutions like Home and Great Western, which were much larger than us, developed, called the cost of funds index. The index we used was tied to the cost of funds of all institutions in the 11th FHLB District, which was reported monthly by the Federal Home Lank Bank of San Francisco. That was a terrific index at the beginning because it was much better than having a fixed-rate loan in an unstable interest rate environment. But there were shortcomings with that, because that wasn't our cost of funds, that was the cost of funds of a large number of institutions, many of which had different strategies over time. So although it was good, it was not the best.

So over the years, we kept making changes in the indexes, and ultimately, we ended up largely with two indices that were our preferred indices, each of which had pluses and minuses. One of the indices was a cost of savings index tied to the cost of our own savings. That's a terrific index for that part of our balance sheet that were comprised of savings, so if 65 percent of my liabilities were deposits, this would be a terrific index for that. But I had another 35 percent which were borrowings, and generally tied to another external index. And so we developed a COSI index—the cost of savings index—and a CODI index, which was tied to the three month certificate of deposit rate published by the Federal Reserve Board.

08-00:46:03
Meeker: Deposits?

08-00:46:04
Sandler: Yes—in a sense—as calculated by the Federal Reserve Board. You could never achieve that because at the end of the day, it depends on which index borrowers preferred. The company would lay out, as clearly and honestly as possible, what the benefits and negatives of each index were. So that the borrowers could make an informed choice. [Nirvana would be if 65 percent of our liabilities were savings accounts, the 65 percent of our loans would be tied to the cost of our savings and if 35 percent of our liabilities were comprised of borrowings, then 35 percent of our loans would be tied to CODI, a good proxy for the cost of our borrowings. Very, very difficult to get it exactly right.]

But I am going to tell you something else which is important—and I know it's not relevant now, but I think you are going to talk to me later about some of the negative stories that were done on us. It was a total misapprehension of what we were doing, because our first concern, as an institution that held all these loans in portfolio, was we wanted to avoid delinquencies and foreclosures. We maintained, electronically, on every borrower what his payment history was, so that we could tell and predict a year to two years ahead of time that if that borrower continued to make the minimum payment on the loan that was permitted, he or she might have a problem. Then we would engage in a series of conversations with those borrowers explaining why they should increase their monthly payments. Not only that—we knew that for certain borrowers, it might be beyond their control, and at that point, rather than have somebody have a payment problem due to increase in interest rates, we would modify the loan so that we did not collect for the larger interest. We had this to such a level of sophistication, which nobody on the outside ever understood or knew about. We will talk about it more later, possibly.

08-00:48:24
Meeker: Another hazard that you avoided in the 1980s was you certainly purchased troubled thrifts, but you didn't purchase the wrong ones.

08-00:48:38
Sandler: It's hard for me to remember at this stage, but our policy was we regarded our situation as one where we had created a jewel of a company, and why would you make an acquisition that would threaten the purity, and the beauty, and the earning power of this jewel? It was acknowledged by everybody in the industry. We won every award for the best savings and loan, for the best mortgage finance company; we won every award. Article after article would say these things. In 1990, both the *Wall Street Journal* and the *New York Times* said if only other institutions could be like Golden West, the premier, best-managed institution. Why would we do that? We wouldn't.

We made acquisitions of the troubled thrifts because we were interested in the branch offices and in their deposits. We were not interested in the loans, because we were a loan machine. We knew how to make loans, and our loans had a better record than any other company in the country of size. So for many of our purchases, we would pay a fee to acquire the offices and the deposits, and we never touched the assets.

08-00:50:01
Meeker: Where did the assets go?

08-00:50:03
Sandler: The government took it over, it went into the Resolution Trust Corporation, and it was sold. Now, we may have bought some where the loans were really not that bad, or we would pull out of the package the loans we didn't want. I

can't remember that. But the point was, we never bought a problem, and we never had a problem with any institution we acquired.

08-00:50:27
Meeker: Why do you suppose other institutions were ready and willing to take on bad deposits?

08-00:50:32
Sandler: Greed.

08-00:50:32
Meeker: Or bad loans?

08-00:50:34
Sandler: Greed. Greed. Wanted to get big. We never saw getting big as one of our objectives. An ego objective was—and we used to talk about this in the company—we would want a knowledgeable observer—somebody who really understood the business—would say, "This is the best-managed company in the industry." That was our personal thing. In our stockholder capacity and as representing stockholders, we wanted to have the best record for consistent growth of high-quality earnings, especially on a risk-adjusted basis. We wanted to minimize risk, maximize earnings without adding risk.

08-00:51:31
Meeker: I'm curious. In the midst of the depth of the S&L crisis, when it's headlines on the six o'clock news and in newspapers, did Golden West ever experience any consumer distrust or blowback, or anything that had to be dealt with as far as mistrust?

08-00:51:55
Sandler: Actually, the only time that ever happened, to my recollection, was not in connection with the savings and loan crisis, it's when we acquired a company. Our company's name, our holding company's name, the company whose stock was owned, was Golden West Financial Corporation, and our operating subsidiary was Golden West Savings. We acquired a company in 1975 which the holding company was TransWorld Financial, and the subsidiary was World Savings. What we did when we merged, we kept the holding company—our holding company—name, "Golden West Financial," but we liked their operating subsidiary name, "World Savings," for a variety of reasons, and we changed our operating subsidiary to "World Savings" from "Golden West Savings."

This was during the period that the issue of gas prices were going through the roof. They thought that maybe the Arabs had acquired the company, and they were worried about what was going to happen. That was the only time we ever had a problem, which was something that was nonexistent. We got these calls from customers: who were these people who were buying it? That was the only time we ever had a problem, to the best of my recollection. But yes, people were nervous about the insurance for accounts for a period of time, but

we trained our people, gave them information, and we had fact statements and stuff like that that I don't recall any real problems at all.

08-00:53:27

Meeker: When the crisis first started hitting, when did you recognize that this was going to be transformative for the industry?

Sandler: Russ Kettell, who had been hired as a junior analyst in 1972, was a very, very bright person. And he is a very quiet, introspective person who doesn't make a lot of noise. He wrote this memo saying that the industry was in deep trouble, and the risks were terrible. It was a thoughtful, intelligent memo, and he thought—I can't remember whether it was in the first memo or the second memo—he thought we should stop lending, because every time we made a fixed-rate loan, we were digging into the problem more. We beat him up for about a year and a half, forcing him to go back to support each of his statements and concern, and he finally persuaded us. Starting in about 1978 or '79, we, in fact, felt that the situation was dire, the risks were inappropriate, intolerable, and we stopped lending. Instead of lending, we invested short. If we had not been stopped by our regulator, which I can describe in a minute, if I haven't done this already, we would have gone through without any loss years. We had loss years in 1981 and 1982 because deposits cost more than we were getting on the loans. If we had done that strategy, if we had stayed with that, we would never have lost a penny.

However, in about 1980 or thereabouts, our regulator, and our supervisor, and our credit reservoir, the Federal Home Loan Bank of San Francisco, told us that they were demanding that we reduce our liquidity; that we had more liquidity than the Federal Home Loan Bank of Topeka, which was a quasi-governmental agency, and that we weren't fulfilling our charter requirements, which was to have mortgages. We fought with them for a while, but they said, as our regulator, "We are instructing you and telling—not only that, but we won't lend you any money anymore which you are otherwise entitled to."

So we cratered at that point because that's a dangerous situation in a difficult time to have your regulator, supervisor, and credit reservoir, quote, "Shut you off." What we did is we bought mortgage-backed securities, because, as I explained earlier in this session, there are two risks. One risk is profitability, and the mortgage-backed securities did not help that, but the other risk was a liquidity crisis: the ability to get funds when you needed them. Mortgage-backed securities are totally fungible into cash automatically. Very simple, unlike a real estate loan. When you put the Fannie Mae blessing over it, it suddenly becomes totally negotiable.

08-00:57:24

Meeker: It's transubstantiation.

08-00:57:25
Sandler: Yeah. So we did that, and we therefore did have losses in ’81 and ’82 which we could have avoided, but we were never at a liquidity risk. That’s the history of that. It’s a situation in which a governmental agency is giving you directions to do that which is, in fact, high risk and stupid.

08-00:57:52
Meeker: What you are saying is by the late 1970s, when you started to take these preventative actions, you are actually recognizing that—

08-00:58:02
Sandler: The interest rate risk problem was incredibly serious, and Russ had called it right on the nose.

08-00:58:10
Meeker: Had you started communicating this to the broader industry?

08-00:58:12
Sandler: Well, that’s another—[laughs] sorry I have all these anecdotes.

08-00:58:15
Meeker: Right. No, let’s hear it.

08-00:58:24
Sandler: There are two stories here. We decided we should talk to the Federal Home Loan Bank board, which is the supervisor of all of the Federal Home Loan Banks. There was a new chairman there by the name of Jay Janis, and I knew the person working for him, his chief assistant; her name was Rita Fair. I called her and I said, “I don’t think you guys understand the nature of the problem. Can we come and talk with you?” She talked with us first, and then she brought us to Chairman Janis, and we laid out the problem, and told him “This is going to happen very fast. It’s built in already,” because we were seeing the numbers in our company, and we knew those reflected what was going on elsewhere. They said, “Well, we want you to meet with our economist”—it’s amazing I remember these names—”Ken Biederman,” who was a very bright guy.

We went to see Ken Biederman, and Ken Biederman said, “No, no! You guys are exaggerating it.” Reported back to Janis and Fair and said, “No, no, they are worried about something that’s not serious.” What was his mistake? He was working on six-month-old numbers that they collect from the industry. But we were in a period in which things were changing monthly, and he had no idea how fast it was happening. So he gave bad advice. Story number one. They weren’t responsive at that point. They trusted us, but they thought we were exaggerating.

I was subsequently appointed to a new instrumentality called the Savings and Loan Advisory Committee to the Federal Reserve. Have I discussed this before?

08-01:00:11
Meeker: Why don't you just—?

08-01:00:12
Sandler: The first thing that happened is we met with the senior staff to the Fed to lay out the guidelines for our first meeting. It must have been what the Vietnam negotiations were like: who was going to sit where; who would be permitted to talk; who was going to do the agenda? It was a meeting from Hell. I remember my shirt was wringing wet when it was over. I went back to the hotel, had to change, it was literally wringing wet. It was that tense. They didn't trust us. They thought all savings and loan management were crooks and bums, and stupid.

It turns out, incidentally, that the head of that group was somebody named Ed Etten, who became one of our closest friends when he later found out that, in fact, we could think, and we were extremely honest. He is a very terrific person; he is retired now.

So now we go into the Federal Reserve, and we are meeting with the Board of Governors. Essentially, we are telling them—and I am a primary spokesman—that the industry is going to go under increasingly fast. At that point, they said, "Well, the staff tells us that's not accurate, et cetera, et cetera." Incidentally, we were supposed to meet quarterly, but we were meeting more often. They called meetings ahead of that quarterly meeting because they were starting to think events were moving fast. It turned out that our numbers, which were put together largely by the economists who worked for the Savings and Loan League, who were serious, intelligent people, together with Russ and myself, that it was going like lightning, and the failure rate was going to go through the roof. We were pooh-poohed in the first meeting, pooh-poohed in the second meeting. By the third meeting, they were scared, because they had not anticipated the extent of the Failures and that was an effect they didn't want. They wanted to crack down on the rate of inflation, but they didn't want to put the whole industry under. That was fascinating.

08-01:02:38
Meeker: Where does this happen vis-à-vis the 1988 testimony in which you are called before the Senate banking committee?

08-01:02:48
Sandler: Well, this was in '80, '81. What happened between '80, '81, and '82 and '88 were the crooks and charlatans and bums were running savings and loans in addition. So you had the problem starting with borrowing short, lending long, then you had the weak institutions who were acting irrationally to save themselves—phase two, as we called it—and then phase three where these other people, the crooks and high rollers were in, and people were falling. During that period, we went from 4,500 institutions to about 1,500, say. Of the 1,500, you could divide that into three groups: those who were going to be

quite successful; those who were going to make it through and survive; and those who were going under.

08-01:03:46
Meeker: It's like this hideous car accident that happens in slow motion—

08-01:03:49
Sandler: Yes. Now, incidentally, something we left out: I was regularly, during that entire period, calling the regulators and telling them about individual cases when we knew there were either criminal activity or irrational activity which was going to lead to the failure of the institution or other institutions, and we were totally ignored. Later on, we were told that what some of the regulators were being told is that Sandler at Golden West and a couple of others who also saw it, "They are just old-style people. They don't understand the new way to run institutions. They are stuck in the past. They can't keep up with us because we are so sharp and smart, and we have a new way of running this business, and they don't understand it, so they are just trying to get rid of a competitor." Some of the regulators were taken in by that. There is one person I always suspected as having been on their payroll, but I don't know if that's a fact, and so I won't mention the name.

08-01:05:10
Meeker: This all happens in the 1980s, during the Reagan administration.

08-01:05:17
Sandler: We hit the jackpot.

08-01:05:19
Meeker: Did you see a political dimension to this, in the sense that the regulators maybe had a particular kind of laissez-faire approach to this?

08-01:05:29
Sandler: Well, there is an interesting story here also. A) The quality of the regulators was not great. I think the savings and loan regulators were weaker than the other regulators—not all of them, but some of them. But there was a unique thing that happened. There was a guy who had very limited competence. He had been a press person for Reagan, and he got an appointment. His name was Ed Gray. He got an appointment to be the chair of the Federal Home Loan Bank, and he was not too heavy. But even he began to see the problem.

This is, again, an astonishing thing. At that time, you had to ask OMB—the Office of Management and Budget—for permission to increase the regulation staff, the staff of the regulators and supervisors, and they refused him the authority to do that. Now, here is the interesting thing: the government didn't pay for regulators' staff. It was paid for by the industry. So the industry was asking permission to increase the number of supervisors and regulators for which we, the industry, was going to pay, but OMB and Reagan were playing the game that "We are constraining government. We are not letting government grow." So here you have a crisis. Clearly, you have to have

tougher, smarter, and more regulators, which was not going to be paid for by the government. And the industry that was paying for it was asking for it. Now, that's pretty goddamn stupid.

08-01:07:23
Meeker: Well, it sounds like there was a real political dimension to all of this.

08-01:07:26
Sandler: The political dimension wasn't specific to us, it was to this nonsensical notion that we mustn't grow any of these things because government should be squeezed and made as small as possible. It wasn't something for the savings and loan industry; it pervaded everything that Reagan was doing. This is what I call know-nothingness: you have a political ideology, and you park your brains at the door.

08-01:07:52
Meeker: So there you are, 1988, the last year of Reagan's second term. I can't actually remember the month of the testimony or not.

08-01:08:03
Sandler: My testimony? It was in 1988, October or November.

08-01:08:07
Meeker: Okay. So right before the election? Right before George [Bush was elected]—

08-01:08:10
Sandler: It was around the election, because there was an announcement in that period, yeah. Actually, what was going on is the undersecretary or deputy secretary was a fellow named George Gould, who was testifying at the same hearing with me. He was assertive—I can't believe he really believed it, because the evidence was so great—that the losses were really probably only around $15 billion. Now, the advantage of that from the administration's point of view was you don't require any major action and asking for money, and you have got an election coming up, and we want to keep this quiet.

At the hearing, I think I said the losses are at least $60 billion, and I wouldn't be surprised if they were $100 billion. I actually believed the losses were between $100 billion and $150 billion, but I was part of a trio of people from the industry who were talking, and they were petrified that I would mention that number, and as courtesy to them, I understated it, but I kept saying, "And it could be higher, and it could be $100 billion or larger." There was no question that it was in the $100 billion to $150 billion area. The government, the administration, didn't want to deal with that number.

08-01:09:25
Meeker: Who invited you to testify?

08-01:09:27
Sandler: That's also interesting. I think I must have known him before, but I am not sure I did—a fellow named Steve Harris, who was the chief of staff to Riegle,

who was going to be the next chairman. The current chairman at that time was Senator Proxmire, a man of total integrity and decency, and somebody who had blocked any possibility of adjustable-rate mortgages being authorized. His chief of staff was Ken McClain. I told Harris the situation, just laid out what I thought was happening, and he was fascinated and troubled by it. He is a very, very, very straight arrow, decent, hardworking guy—the kind of people you want to see in government. He took me in to see Riegle, and I laid it out for Riegle, but Riegle wasn't chair yet. He had Harris call Ken McClain to have Ken McClain meet me.

Ken McClain is one of these really extraordinary people, highly intelligent, incredible integrity; had worked for Proxmire forever. Many people, when he walked in through an office, called him "Senator McClain." So this guy comes in who has this kind of cynical look on his face to vet me. He asked me a lot of questions, and decided I was the real McCoy, and that my story should be told. That's how it happened. Actually, the savings and loan industry hated him, and they hated him for the wrong reason, because he turned out to be one of the most decent, most honorable, highest-integrity persons I have ever met. They must be idiots running the place if they think a guy of that quality is bad just because he tells the truth all the time. I became very close friends with Ken McClain, and in later years, after Proxmire retired, he lobbied for us, and he was a remarkable individual.

08-01:12:05
Meeker: Here we have about ten years in which you and Marion and Kettell are doing a—

08-01:12:16
Sandler: A road show.

08-01:12:17
Meeker: A road show. I was thinking of—anyway—you know, "The Redcoats are coming!" sort of campaign, and nobody is really listening. Did it feel like this was finally your opportunity, where you had the bully pulpit to really, really tell how things were?

08-01:12:39
Sandler: It was an interesting series of things that happened. First of all, that testimony really changed a lot of things for us. First of all, everybody seemed to know us now. We weren't really known before. We always tended to our business, and it was only when it became clear to us that the savings and loan trade association were not acting in the best interest of the membership that I ever went to Washington. I never did anything political before that, and then I realized if I don't get involved, I can't trust these people.

[Side conversation deleted]

So what happens after that testimony, I got a call. When I got back to my room, there was a call in my hotel room from Bill Seidman, who was the chair of the FDIC, to compliment me. It's the best testimony he's ever heard. That was—wow! I didn't know him, so that was a big deal.

Then I kept getting invited onto the News Hour, and that's how I got to know Schumer and Leach, because I think both—I was on at least two times. That was when it was MacNeil/Lehrer. When I was on, Leach was on. He was a moderate Republican from Iowa; highly intelligent, very decent guy. And Chuck Schumer, who is smart as can be, and very aggressive. Who else was the other witness? Then he had a banker on one time and an economist another time, but that's what started the friendship among Schumer and myself and Leach and myself. And Seidman, I became friends with Seidman also, because these are people who really wanted to get something done, and to solve the problem.

08-01:14:48

Meeker: What did your fellow leaders in your industry think of it? Did you get any feedback?

08-01:14:55

Sandler: Well, I got feedback from my two colleagues. They thought I was fantastically funny. They thought it was great. They looked at the beginning as if they were dying. I looked at the film, and they looked down like that. But actually, Shackelford is kind of a very funny, witty guy who put out a newsletter which featured me for a whole long period of time, quoting from it and describing me as a wild man with my arms gesticulating and telling them the truth about how they caused the problem. Garn, Senator Garn, a Republican senator, I don't know if it's in the part of the hearing you watched, but he got really upset with me, and attacked me.

The best thing of all was later that day, and I was walking down the hall of the building—leaving, I guess—Proxmire saw me, and he said that he realizes now that he was wrong in blocking the authority of adjustable-rate mortgages, and that he just wanted to apologize. I thought it was a class act. He was in Wisconsin, and Wisconsin, a lot of people trying to theorize why he was so opposed to it. In Wisconsin, they did have a adjustable-rate mortgage permission for state-chartered institutions in Wisconsin, and I suspect either he himself or he knew somebody who had a problem with an adjustable-rate mortgage, and from that experience took this very negative position, which turned as a policy matter to have been an extraordinary mistake.

08-01:16:40

Meeker: He might have known somebody who had a rate shock issue, huh?

08-01:16:42
Sandler: If, in the early seventies, they had authorized adjustable-rate mortgages, then the savings and loan crisis probably would not have happened. It certainly would have been a fraction of what it was.

08-01:16:53
Meeker: You had mentioned in your testimony that you were fearful that by speaking so bluntly, you might get some blowback from the government and regulators.

08-01:17:04
Sandler: I was telling the administration that they were lying.

08-01:17:06
Meeker: Did you feel that that ever transpired?

08-01:17:09
Sandler: Not really. I don't think so. I was told that nobody had ever testified in Congress like that before, in which I told the people who were in charge that they were a direct cause of the problem.

08-01:17:28
Meeker: Well, it's very cinematic. It reminds me of Jimmy Stewart [in "Mr. Smith Goes to Washington"].

08-01:17:32
Sandler: Yeah. The people I was sitting with were petrified, and they did not know what I was going to say, and they had talked me down from the 100 to 150 to fifty to 100. These comments are published someplace about how they felt about it. It's kind of good if you tell the truth. You don't have to remember anything. That's one of the problems with lying, is you have to have a terrific memory. I can imagine what Trump's memory is like.

08-01:18:11
Meeker: Less than a year later, we have the passage of the Financial Institutions Reform, Recovery, and Enforcement Act, 1989.

08-01:18:18
Sandler: Which increases the capital. It was interesting. In that year—I don't know if you saw it—we ran a full-page ad in the *Washington Post*. One of my favorite gutsy things to do. I don't know where—let's see. In here? Ah! Here. [looking through documents] That was the year we did our "seven deadly sins" thing. This is a full-page ad begging Congress for higher capital requirements.

08-01:18:53
Meeker: There is a video of it.

08-01:19:00
Sandler: That was a pretty gutsy thing to do. Not everybody liked that. Certainly, the people who were relatively weak and who were on oxygen were not happy. But my concern was that unless requirements were raised, the losses would be

much larger, the number of institutions going under would be much larger, and people should be focusing on rebuilding their capital.

08-01:19:32
Meeker: There are a variety of pieces of this legislation. As you just mentioned, one was increasing capital requirements. Another was that S&Ls were now under the FDIC, which—

08-01:19:46
Sandler: Not a big deal, really.

08-01:19:48
Meeker: Not a big change?

08-01:19:49
Sandler: No, no.

08-01:19:50
Meeker: Previously, there had been the Federal Savings and Loan Insurance Corporation, right?

08-01:19:54
Sandler: Right, right, right. That disappeared, right. As part of the solution of the whole thing, they combined the insurance agencies. They made it more rational. You have to understand: if I am a bank, I could be a residential lender. Most small commercial banks, community banks, are primarily residential real estate lenders, and to small businesses, but lots of residential lending. So I don't care if I am called a "bank" or a "savings and loan," or a "thrift," or a "ishkabbible." I have my own strategy, as long as it's legal, and moral, and so forth. What's the difference? So all they did is rationalize it. They have now one system. Big deal.

08-01:20:39
Meeker: Do you think that this legislation was effective, or was it simply—

08-01:20:42
Sandler: Well, it raised capital. Very important. I mean, no, that was very important. Very, very important. I think also, they constrained some of the lending authorities, if I am not mistaken. But that's in my memory bank; I don't know if that's accurate. But I'm pretty sure.

08-01:20:56
Meeker: Well, and at the same time, you also have a thinning out.

08-01:20:59
Sandler: You do have a thinning out, yes. A fattening out, it essentially was. A lot of institutions gone.

08-01:21:06
Meeker: So the resolution of this might be seen as some part reform legislation, some part bad players going out of business, and, in some cases, going to jail.

08-01:21:23
Sandler: Yeah. Yeah.

08-01:21:26
Meeker: Did you lobby? Other than putting an ad in the *Post*, did you—

08-01:21:34
Sandler: Oh, I was lobbying continuously for higher capital. Remember my motion for want of a second?

08-01:21:39
Meeker: Yeah. Well, so was that the main thing—

08-01:21:42
Sandler: No. I would talk to Schumer. The people I trusted the most were Schumer and Leach, because A) both highly intelligent, and both wanted to do the right thing, and I was continually arguing for that. They got it. If you watch the—I don't know. Did I give you those tapes?

08-01:21:58
Meeker: Yeah, yeah. I saw them all.

08-01:21:59
Sandler: Yeah, yeah. We discussed those things, I think, in those tapes.

08-01:22:04
Meeker: Were there any other elements that you wanted included in the legislation that didn't make it into the final form?

08-01:22:13
Sandler: I can't remember. I don't know. Oh! Well, there were three big changes I felt were needed, and they all could have been done through regulation. One was the adjustable-rate mortgage, which finally took place in May of 1981. The second was the authority to borrow longer term. There were restrictions on borrowings—I'm trying to recall now, in the dim past—more than six months. That was asinine, because that was a key method of constraining and reducing risk. And the third thing which was infuriating was I could not get the authority to short in the futures market against higher interest rates, so that I could have another way of balancing the risk.

Chairman Pratt gave the authority for the adjustable-rate mortgage. He did significant improvement in our ability to borrow for a longer maturity. He did not let us, at that time, short in the futures market, and the reason—because I called him on that, and I said, "You have done so many other good things. Why aren't you doing this?" He says, "Because the bulk of the leadership in your industry, it's too dangerous for them. They don't have the financial sophistication to handle that." And he suggested the possibility that he would give authority to a certain number of institutions, although he had to think that through. He never did do it. That would have been more important than any legislation.

08-01:24:04
Meeker: This is finally put to rest in 1996, when Clinton passes a bill that included basically a one-time levy on institutions in order to basically pay off—

08-01:24:20
Sandler: Which I argued very aggressively against, because it was unfair to those of us who ran our institutions correctly, with high integrity, and who, in fact, warned about what was happening, and had we been listened to, the losses could have been cut substantially. Then you come to the people who are warning you about the problem and you don't take action, and you are telling us we have to pay. That bothered me. So I think in that year that you are alluding to, I think we had a one-time hit to earnings or something like $133 million, and we had been paying higher premiums for years, so that whole thing must have cost $200 million, plus or minus, for somebody—and others like us—who were totally innocent, who were arguing for the action that would have reduced the losses, and you imbeciles are doing nothing, and you are going to come to us for the payment. That bothered me, yes.

08-01:25:25
Meeker: Well, you were paying higher insurance rates for years, and then I think the compromise in '96 was that the insurance rates would go down for institutions with a certain level of capitalization, but you still had to retire, in essence, this debt.

08-01:25:39
Sandler: Yeah. They did something else stupid, which I think was in one of the MacNeil/Lehrer programs, and Schumer agreed with me that the structure they used—they used a funny structure. See, these politicians are kind of strange. When you pay something out, you see that you get scored towards the deficit. What they did is they had to avoid a negative scoring on the deficit because of political reasons, but they came up with a structure which didn't have scoring but ended up costing a lot more money. Why would you do something which is going to cost you $100 million or $1 billion more because you don't want to get it scored? There is a game there that's being played, and that's played a lot, incidentally.

08-01:26:27
Meeker: Well, they had the PAYGO rules that had been passed, and so anything that was budgeted had to be paid for.

08-01:26:35
Sandler: Yeah. It seems we could work our way around that kind of an issue.

08-01:26:38
Meeker: Right. Clinton was elected in '92, inaugurated in '93. Did you notice any change in the regulatory environment in the years after his inauguration?

08-01:26:55
Sandler: Not that I can think of at the moment, no.

08-01:27:01
Meeker: I am curious about some of the post-crisis changes in the industry overall. There are some things that I sense by reading through, particularly, the annual reports, as well as paying attention to some news items, but I am wondering, just from your broad, historical reflection, how did the industry change after the crisis?

08-01:27:32
Sandler: Well I think things quieted down. You didn't have the Keatings or the David Pauls or the Charlie Knapps around at that point, so that was a difference. But you had different kinds of problems emerging which turned out to be even more serious, god help us, which was the subprime industry. There is always something going on in business and in finance.

You have a situation where you take Countrywide, which at one point I thought was quite well run—they were very efficient—but they did two things which I thought was bad, and others did some of these things. One thing is they always provided earnings guidance, and the danger of providing guidance—by guidance, I mean making forecasts of what they were going to earn—is you tend to want to meet that guidance, and if you are going to slip behind that guidance, you may do things that you shouldn't be doing in order to achieve it. I can talk at great length on that subject, and Marion has spoken on that many times, on air and otherwise.

The other is that they announced that they wanted to achieve 30 percent market share in the mortgage business. That's the path to hell. And that happened at a time when there were these new entrants into the market in the form of subprime lenders like New Century, Ameriquest, and some others whose names, fortunately, I no longer remember, who were focused on volume only. That, of course, made companies like Countrywide—it put them in a difficult position, because how are you going to achieve 30 percent market share if some of the people competing with you are operating at an extraordinarily high level of risk? And so they had to become a player in that marketplace, they and Washington Mutual, and IndyMac, and others that were growing exponentially. We, as an institution, never were more than, let's say, 1 percent—and maybe we got up to a 1.75—of the national market, and these guys are fighting to be at 15, 20, 25 percent of the market. You tend to do very, very stupid things.

08-01:30:30
Meeker: The rationale behind the subprime loans, how were these people going to make profit if they were recognizing they were issuing such risky loans?

08-01:30:41
Sandler: Because they didn't hold the loans on their books. They passed it on to somebody else, and they didn't think it would come back to bite them. Very simple. The fact that people didn't get that, that a portfolio lender is concerned first, second, third, and lastly with quality, because if you didn't, if the loan

went bad, your earnings went down; where a mortgage broker is moving the paper to some sucker who is buying it. And so Moody's and S&P, their participation in the horror is extraordinary, and they've never really paid up what they should have. They just were as crooked as can be because they wanted the volume. Moody's was afraid that if they didn't bless a securitization package that was being sold, that the other company, S&P, would take the business. So it was a race to the bottom. That's been discussed a little, but the actions taken with respect to them have not been as serious as they should have been.

We had creative securitization. I remember one day, our Treasury people wanted to show us a typical package. They broke something into ten, fifteen, twenty tranches. That meant this loan would go into this package, this loan would go into that package, and as long as they got to sell it to somebody, and they all got rated, and it was sold—and it was poison they were selling. They were like dope dealers. We talked about that. I spoke to a lot of the reporters about that, because a lot of them couldn't understand it, it was so complex.

08-01:32:30
Meeker: Those who were actually buying these securities, were they simply duped by S&P and Moody's, or—

08-01:32:38
Sandler: Yeah. Yeah.

08-01:32:39
Meeker: —were they willing—

08-01:32:40
Sandler: Both. Both. Both. Both.

This is not totally relevant, but it's one of the stories in my memory bank. One of the major institutions—I'm not sure it was Morgan Stanley, but I think it was—brought us a package. They were packaged very beautifully. They have cellophane covers, and very beautiful print and pictures, and charts. They brought us a package and then told us we would receive this kind of return, which would have been a very good return. Well, of course, since we are financially oriented, Russ is very strong, and he had a strong staff under him, one of his very strong subordinates came back and found an error in there, and the error in the runs. The error meant instead of earning what they claimed, you might lose money on the transaction.

And so Russ or somebody else brought that to the attention of the investment banker, and they said, "You guys are crazy. You don't know. We have been over that thing. It's perfect." And P.S.: they came back a couple of months later apologizing profusely; that, in fact, they had blown it; they had made a mistake. They apologized, and they gave us another package. This is the truth: we found a similar error in the other package. Now, this was being sold, so

you go into most institutions, if it comes from Goldman, or Morgan Stanley, or J.P. Morgan, nobody goes through the actual runs. It's a computer run, for god's sakes. Well, we went through their actual runs, which is the way we do business. We never buy anything without understanding what we are doing. And he found two errors. After we caught the first, they sent us the second with an error, which meant that instead of earning, we would have lost.

That's what the world is like. Most people, if you come from a name, you don't do your homework. I don't trust anybody. You are a human being, you can make an error.

08-01:35:07
Meeker: Was Golden West/World being approached by institutions who wanted to see your loans securitized and then purchase them?

08-01:35:19
Sandler: Well, it wouldn't work that way. First of all, we didn't sell adjustable-rate mortgages at all. We might securitize them because we could borrow against them more easily, so if I paid a very small fee for the magic wand of Fannie or Freddie to bless my packages—which they did, because we had the highest-quality mortgage portfolio of anybody; our fee was very, very small compared to most. But we didn't do it for selling, we did it for borrowing. It just liquefied our portfolio. It made our portfolio much stronger for a very small fee. But I don't think people would come to us.

The only time, actually, I recall somebody—that's not true, actually; a bit more than once. But I remember Russ and I—I don't think Marion was at that meeting—were in New York, and we had a bunch of major buyers of paper there. The hosts, these people had just come back from China, and they had an enormous amount of helpful information about what the market was like. But I remember, I think it was BlackRock was saying they wished that we were a bigger issuer of paper, and these are the maturities they like. Of course, one of the reasons we didn't do that is BlackRock is such a tough negotiator. We could get more from somebody else. I do remember laughing at that, but I don't think people came to our office for that purpose. Not the way the markets work.

08-01:37:02
Meeker: Okay. How would the markets work, in that case?

08-01:37:04
Sandler: Well, the markets work is we want to issue paper, and we go out there and offer it.

08-01:37:08
Meeker: All right. So it's a seller's prerogative?

08-01:37:12
Sandler: Yeah.

08-01:37:13
Meeker: One thing that also was pretty clear in reading about the 1990s is this disintegration of the distinction between S&Ls and banks. Can you describe about how and why that happened, and its impact on your business?

08-01:37:30
Sandler: Oh, it had no impact at all. It was just something along the lines of what we spoke about earlier. What difference does it make what I am called? I have a particular business plan and a particular strategy. I am a financial intermediary. In my case, I focus on origination, of taking in deposits, originating residential loans. Somebody else wants to make more consumer loans. Someone wants to make more commercial loans. That's their strategy. The S&Ls were dying. The industry was tiny, so we now had a single insurance fund, and you had your strategy. Some companies wanted to become mortgage bankers. WaMu wanted to become a mortgage banker, which took them down, ultimately. They were taken out. They had acquired Great Western, American, Home Savings; three of the largest institutions. They were now the largest by far, but their strategy was a sick strategy. It was wrong. And they went under.

08-01:38:51
Meeker: Did there remain a regulatory distinction between S&Ls and banks?

08-01:38:55
Sandler: Yeah. There were two different bodies. I think ours— the regulator for the savings and loans, those who remained savings and loans—was called Office of Thrift Supervision, OTS, and the banks—the federal, the national banks—were regulated by the controller of the currency. I would say, all in all, this part of it is essentially irrelevant. It's just cleanup and words, but nothing substantive there.

08-01:39:26
Meeker: Okay. Well, tell me about the continued expansion and growth, and challenges in the context of the 1990s. Ultimately, I believe you were in ten states, 285 branches? Does that sound about right?

08-01:39:42
Sandler: I don't remember, to tell you the truth, anymore, when we had what. But when you say ten states, we loaned in many more states than we had branch offices. Our branch offices were primarily for the collection of deposits. We might have loans in that area; the loan people might be located in the branch, or might be located in a separate location. Then we had loan facilities throughout the nation. I think probably thirty-five, forty states we were lending in.

08-01:40:20
Meeker: For those people residing in states where you didn't have branches, were they now finding you through the internet? How were they you as a—

08-01:40:28
Sandler: That's still pre-internet. No, it was just like any other loan business. You advertise. And it's less advertising and more shoe leather. Most loans—

historically; there was a change in this—came through realtors. You go to a realtor to represent you in buying a house. They'll come to you and show you a bunch of houses—based on their conversation with you—within your price range and the location you want. Frequently, they'll recommend a lender to you. So you want to have a relationship with realtors, and what are they looking for? They are looking for quick, reliable service, and we were terrific in service.

The business changed, and in part, some of the problems relate to that. The mortgage brokerage business developed to a much greater extent, and they controlled a lot of the business. As a matter of fact, many large realtors in particular created mortgage brokerage activity to handle the loans that were made by their realtors, and I think many problems in the industry emanated from mortgage brokers who, again, are interested only in their commission, and not in the quality of the loans that they are referred to lenders. That was a developing problem, and during the height of the issues, a lot of people ascribed many of the bad loans to the mortgage brokers. You had to deal, however, with mortgage brokers, because actually, two-thirds of the business came through them.

We were quite different in our approach than anybody else. Most lending institutions that got loans through mortgage brokers simply paid them their commission and took the loan. They took the appraisal made by the mortgage broker, and they took the underwriting. We treated them as if they were a realtor. You could have your appraisal, you could have your documentation; we are going to get all the documentation. We are going to do our own appraisal with our staff, and we are going to underwrite the information by our staff. That made us not as attractive as these lenders might be who took it without any annoyance, but since our service was so fast despite the extra work we did, we did get a lot of business through them. But we never trusted the papers from a mortgage broker.

08-01:43:16

Meeker: Interesting. There is so much else that's going on—I am actually just thinking of this now from personal experience, because I did my first home loan in 2004. I remember I didn't realize I was even qualified to buy, and looked at a condo, and they are like, "Oh, we can pre-approve you right now!" Sure enough, like I didn't realize that I was capable, and they said I was capable.

08-01:43:47

Sandler: I'll tell you a story, though you may not like the story I am going to tell in the context of what you just said. In the context of what you just said, you should listen to this story. One day, one of our senior loan people called me and said, "Can I come in? I just had an amazing experience." So I called Russ and Marion up to join me. His name was Tim Wilson, and Tim had just been visiting IndyMac.

[paragraph deleted by narrator]

Essentially, what IndyMac told him is "We don't care if it's a loan from a monkey. If we can sell it, we'll buy it." That's a direct quote. So I don't want to infer or imply to you that you are a monkey, [laughs] but your experience sounds like it.

08-01:45:43
Meeker: Well, not only were they doing these pre-approvals, but—

08-01:45:48
Sandler: A pre-approval is okay if they get all your data first.

08-01:45:53
Meeker: Right. You could do data-less. Basically, you didn't need to do a full financial review.

08-01:46:02
Sandler: I didn't trust FICO, I didn't trust any automated service, because they were all flawed. We wanted to do it by people trained by us, and had our culture.

08-01:46:13
Meeker: And also, zero down.

08-01:46:16
Sandler: Well, zero down is the most risky of all. The data is clear on that.

08-01:46:20
Meeker: But you combine all of those—

08-01:46:21
Sandler: Yeah. Well, no. They wanted to do everything, get 100 percent loan, zero down, and a lousy appraisal that's not worth anything. As I say, we didn't use fee appraisers. Why would we use fee appraisers? Let's pretend you are a fee appraiser, Martin, and I sent you five loans. The first loan, I need a $300,000 appraisal. What are you going to do? Are you going to come in with a $270,000 appraisal? It'll be the last appraisal we'll ever send you. We didn't trust fee appraisers, so we wanted appraisers who worked for us, who were compensated by us, who were part of our culture and understood that it was okay to turn down loans, or to come in with low appraisals. We always said, "We are doing you a service, because we are telling you and your client what it's really worth." And we lost loans because of that.

[Paragraph deleted by narrator]

08-01:48:18
Meeker: So the role of personal relationships, even though this is a massive sector—

08-01:48:22
Sandler: Very important. Very important. We would hold meetings with large group of realtors where we would educate them for themselves, and then explain about what we did and why we did it.

08-01:48:39
Meeker: Also, on the consumer side of things, particularly in California in the 1990s, there were some contextual issues. Did these have any impact on your business? I am thinking of there were periods of high unemployment, slowing population growth, declining home sales, particularly—

08-01:48:58
Sandler: Yeah. Of the early 1990s—

08-01:49:00
Meeker: —in the early 1990s.

08-0149:00
Sandler: What happened, especially hard hit was southern California: the defense industry cutbacks. Unemployment in the state of California exceeded 10 percent. That was a tough time. I think that was the period of one of our highest credit losses. I think in a year, we hit as high as eighteen basis points. Now, of course, same time we had eighteen basis points, most of the others had 150. But for us, eighteen basis points was a horror. We hadn't seen eighteen basis points. We are accustomed to zero, to three, to four.

08-01:49:41
Meeker: So you were seeing a lot of foreclosures in the 1990s?

08-01:49:42
Sandler: Oh, yeah. Yeah. Oh, yes. It was a tough period. I mean, this is ten percent unemployment. That's not chickenfeed, that's real unemployment. A lot of people are hurting.

08-01:49:52
Meeker: How did you address that? Was there a particular program?

08-01:49:55
Sandler: Had to be very careful in our lending. Of course, we had a lot of stuff in our portfolio that you couldn't address. What happened if you had a loan that was terrific, and then the borrower loses his job, and the kind of thing he/she works in is no longer existent? I got problems. And I have to work with him as long as I can, hope to save him. Always prefer to save the customer first.

08-01:50:24
Meeker: I guess, how do you institutionalize that approach?

08-01:50:27
Sandler: Training. Culture and training. Culture and training, again, and again, and again, and again. We have classes continuously. We had two locations, although I guess we didn't the second; the San Antonio location was a little

later. The various training rooms were filled continuously, like we were running a college.

08-01:50:50
Meeker: What was part of the curriculum?

08-01:50:52
Sandler: It depended. In the loan area, it would be how to make loans, how to deal with—always customer service. And when they would have branch manager meetings, which were almost monthly, one of the features of the three- of four-day program would be "Lunch with the Sandlers." We would go into the boardroom, and we'd welcome them and talk about things, and ask them about how the course is going, what could we improve. There was always a part of that discussion—without fail—in which Marion said, "Well, let's talk about customer service." Then she would make a big pitch on that, and the importance of it, and why it was so critical: because without the customers, we don't exist. Then she said, "Go around the room. Martin! Tell us some of the tricks of the trade you have learned about how you should deal with customers."

Starting with one of those meetings, I had this idea: I started to write down what everybody said. So if there are fifteen people there, each one would be saying something, and even though somebody else would have the same strategy, they would give them another suggestion that they did so that they would try to keep the repetition ideas down. Then I would read back: "You know, I can write a book now, because I have a book on customer service." And I could. They were fifteen fantastic things. They were always surprised when they heard it at the end, how many ideas they had—So everybody learned from everybody's ideas. I did that every meeting. They got the point: that customer service was everything, and honesty, integrity, and fair dealing was everything. That was always in every single meeting.

08-01:52:43
Meeker: So that's how you would define customer services?

08-01:52:45
Sandler: You might say, "I make it a point to acknowledge anybody walking in this office within ten seconds." "I will pick up any phone on no longer than the third ring." "I will call somebody who I have come to know by their first name." I used to give two examples, which are true examples. The bad example is Marion and I come into an office—because we visited offices all the time—and the manager would stop waiting on the customer to come over and greet us. That was a no-no. That was just awful, and then we had a meeting on that.

But the favorite office was the office where somebody saw us who knew us, "Be with you in a minute" to us, as they would to any customer; acknowledged us, and acknowledged any other customer walking in while

they kept their eye and attention to that customer. I wanted to hug her, because she did it exactly right. She took care of the person coming in—in this case, Marion and me—and the customer. And then frequently, she would introduce us to the customer, because a lot of customers love that: "Oh, these are the CEOs!" They don't really know anything about you, but it's a big deal.

08-01:54:13
Meeker: I think that would be a big deal.

08-01:54:15
Sandler: Yeah. She didn't change a thing for us at all, and wouldn't acknowledge us—really acknowledge us—until she wasn't dealing with anybody else. The customer came first, and I cited that example all the time.

08-01:54:35
Meeker: A few last questions today about staffing and governance. Let's actually start with the governance question. It was in the 1990s, mid-1990s, that you really started to diversify the board of directors of the organization.

08-01:54:52
Sandler: You mean in terms of gender?

08-01:54:54
Meeker: Yeah, in terms of gender, as well as race. It was in 1994 Patricia King arrived, and then Antonia Hernandez in 1995, and then several others in the subsequent years.

08-01:54:08
Sandler: Maryellen Herringer, and Leslie Schilling.

08-01:55:13
Meeker: Right. Tell me about this process. I want to know what was the impetus for this, first of all.

08-01:55:22
Sandler: Well, first of all, as you know, we were the first to have women as branch managers, first to have women as appraisers, first to have women as loan salespeople, first in senior management—in addition to Marion. It's hard to remember why, but the factors I can think of are—there are really a couple of reasons. It serves as a role model. It really makes it very, very clear, internally and externally.

Secondly, I wanted to make a point. The point was that this old boy school was a bunch of malarkey. First of all, I know a lot of people on boards of directors who wouldn't be worth the time of day. They are there because they have a name, or they are a CEO someplace, and when we talk about Marion when she was on the Berkeley board is a good example of what I am talking about. I wanted to prove the fact that if you have a group of intelligent people of whatever gender or race, the company can still be an outstanding performer, and there is clearly a message there. That was really what it was about.

[Side conversation deleted]

So Marion was on the board of trustees of the Berkeley business school sometime in the seventies. There are a number of stories, but one of my favorite stories is somebody—and that was consisting of all the CEOs of the major corporations in the Bay Area were on the board, so *Who's Who*. At that time, I remember the chairman was Joe Long, of Longs drug store. And somebody is making a presentation, and makes it asking for money for a particular project. Joe Long says, "Okay. Well, is there a motion? Is there a second?" And Marion says, "I have a question. I have two questions. How long will it take? And how much will it cost?" Based on the conversation that took place, they killed it. But every CEO in that room—all males—were prepared to just go along. That's what the world is really like. You are a historian; you don't see that. That's really what goes on. They are all collegial, they don't want to raise any questions. When you get somebody who knows how to ask hard, tough questions, that's a godsend. That's wonderful. Most of them don't do it. They go along to get along. I thought that was an unbelievably instructive experience. You have the head of Wells Fargo, the head of B of A on the board; they don't ask a question. Two simple questions.

I'll tell another one, which isn't exactly the same. When she was on the NYU Business School board I think a decade later, a couple of architects were in. They were planning a new building. This is on the Washington Square campus in—I don't know if you are familiar with the area in New York. They show the building, and Marion asked a question, which is "I am concerned that there could be delays here because of protests from the community." If you know anything about that area, you knew that. They talked down to her. First of all, because she was a woman, they just treated her like she was some idiot, and said, "We have no concern. We don't have problems. We understand this, and that, and the other thing." Very superior. She was furious. P.S.: she had a reason for asking it. Because if there were delays, somebody is going to be at risk, and you may have to redesign the building, and somebody is going to have to pay for that, and we ought to put that in our agreement with you as to how we divide up any of these additional costs.

So P.S.: community charged in, delayed—I'm not sure it was ever built, incidentally. Got a letter from Dick West, who had been the head of the business school, a few years later, saying, "Marion, everything you raised took place as you predicted, and we were wrong. We didn't protect ourselves." This is a business school. This isn't a school of art, or history—it's a school of business. She asked A, B, C questions, and they didn't support her—the board didn't support her—and let these two architects get away with murder. The ability to ask questions, in a collegial way, which are important and are constructive.

08-02:01:18
Meeker: So when you are establishing your board, what is your process for finding people like this, who—

08-02:01:26
Sandler: Actually, the person who was most helpful for a couple of them was Maryellen Herringer. Maryellen is somebody we knew for many years. She was the first woman hired at the Orrick law firm, which is a major law firm, and we were her first client, assigned to us intentionally knowing that we would not cause problems; that we would treat her based on her ability. Then she was the first woman partner at Orrick, and then she went to—general counsel to Transamerica, and then she married the head of Transamerica, so she had to leave, and became the executive vice president of APL, American President Lines.

So she is a top-notch person, and I would say, "Who are the really sharp women you know in the area?" She had come up with two names. Leslie Schilling, Leslie Tang Schilling. That's a very important family in Berkeley, incidentally. I know her sister well as well. That's not Leslie—it's her sister who is the big wheel there. And—

08-02:02:31
Meeker: The Tang Center, I am guessing, is—

08-02:02:32
Sandler: Yeah. That's the family. And her sister is very active in all things there.

And Antonia Hernandez, who was the head of MALDEF at the time, Mexican American Legal Defense Fund, and now is the head of the Los Angeles California Community Foundation in southern California. Then, through another friend of ours, we were referred to a number of people, one of whom was Pat King. And so we interviewed or met with all of the people that had been recommended there, and we really liked Pat King. She is terrific. She just retired from teaching at Georgetown. She is seventy-five now. They knew how to ask hard questions, and they knew how to do it in a collegial way, without putting you down.

08-02:03:38
Meeker: Did you ever find colleagues in your industry or other industries who would come to you and say, "Hey, listen, we like what you have done with your board. How did you do it?"

08-02:03:49
Sandler: No. No. No. Big problem out there.

08-02:03:57
Meeker: It still is.

08-02:03:58
Sandler: And particularly in the tech world. But those were a couple of interesting stories, I thought. Very informative. One of the reasons both of us really never went on boards. Marion was asked more than I, but we always turned them down. The only board she went on was Macy's California, and that's because she loves retailing and she loved the issues that came up there, and we were very friendly with the head of Macy's, somebody she had known from New York before we moved out named Ed Finkelstein.

08-02:04:40
Meeker: Was it Macy's or Bloomingdale's that she first started at?

08-02:04:43
Sandler: She was at Bloomingdale's.

08-02:04:44
Meeker: Okay, that's right. Quite a homecoming. Great. Well, shall we end there for today?

08-02:04:53
Sandler: I don't know. At some point, I saw a note in your summary about *The Apprentice*.

08-02:05:00
Meeker: Yeah. Well, let's talk about that now, because I think we have talked about the business school. How much time do you have? Do you have another fifteen minutes or something?

08-02:05:11
Sandler: Whatever you want. Whatever.

08-02:05:12
Meeker: Okay. Well, yeah. Since we have been talking about it, why don't we round out some of these questions around Marion's public leadership. Is there anything else that is worth saying about her service on the, I guess, trustee board of the business school at Berkeley or NYU?

08-02:05:35
Sandler: Not really. I just remember some of the anecdotes. There was another meeting at Berkeley at which somebody was making a presentation in a field which Marion knew a lot about, which was financial. They were all thrilled with this guy, how wonderful he was, and essentially had built this great model. The model took him to a conclusion that she knew before she even entered the business. In other words, they were so excited about the model, but all the model proved is something that anybody who was alive and well would know. So we had an understanding of some parts of academia and the importance of modeling to some people, even though they are not usable for anything relevant.

08-02:06:19
Meeker: Was there a sense that by joining these boards, they were looking for high-level donors to assist, or—?

08-02:06:23
Sandler: Yeah. It could be high-level donors and women, so she was a twofer, I guess. She didn't stay on either board very long. I don't think she enjoyed it. Based on what you see, they were not really good boards. People were on it because they had big names. Big names who don't know anything, who don't do anything, who aren't interested enough to ask an intelligent question? That's pathetic.

08-02:06:55
Meeker: Did you end up stepping up and helping out these institutions, or—based on the experience on the boards?

08-02:07:02
Sandler: Well, we helped things through our friends. People would call us and ask us, "What do you think of this? Can I bounce this off you?" I think we did more of that." And Marion did not stay on long on either board. Particularly the NYU board, she was pressured into joining by Henry Kaufman, who is a very famous economist. He said, "They need you," and then he gave her a song and a dance, and at the end of the day, she felt she couldn't say no, and so she tried it. But didn't stick with it.

08-02:07:36
Meeker: Did she join any other philanthropic boards or educational institutions?

08-02:07:43
Sandler: I don't recall. I don't think so. I don't think so. Marion had a question. Let's see if I wrote that down someplace, or I had the initials here someplace. I can't find it. "What is the good business reason for doing that?" Almost everything we did, we would ask that question. Now, there is something that sometimes not a good business reason: because it's fun and interesting. But as long as you face up to it in your personal life that it's because it's fun and interesting. Why should I join a board and subject myself to liability? Because if I got on the board, I am going to work like a dog to understand everything they are doing. And I don't have the time for that. Philanthropy is a lot more interesting when we got into that. So we turned down boards, but I don't know. Just Macy's California is the other one, and I don't think she did anything else, either. I would have known; I just don't remember.

08-02:08:44
Meeker: Well, and you had mentioned that she was invited to the Clinton economic summit in—I guess it was December of '92, right after the election.

08-02:08:52
Sandler: Yeah.

08-02:08:54
Meeker: How did that invitation come, and what did she tell you about the experience?

08-02:08:58
Sandler: Well, actually, she is on TV. I am just watching her on TV. She was featured. She was the feature story the day she was on. But there is a funny backstory to it. If I recall, there was a paper to be discussed by Bob Solow, who was a very famous economist. Marion met him for the first time, and he has become a very close friend. He is just one of the most wonderful people I have ever met. It's interesting: all these people on the panel, nobody discussed what he wrote about. They all come there with their own agenda, they all say, "Mr. President-elect," and then they want to tell him about what they do, and why what they do is the most important thing that's going on. I remember the people from Mattel—which was a toy company—person there said something about toys "is the key to American success." It was so transparent, you had to control yourself not to get hysterically laughing at the idiot.

It was towards the session—and there is a backstory which I'll tell you in a minute—in which Clinton was going on and on, and the session was going to be over shortly, so Marion started to interrupt. He said, "Oh, Marion! I was just going to call on you. Ladies and gentlemen, this is Mrs. Sandler. She is one of the people who ran a savings and loan. Terrific job. No problems. Dah, dah, dah, dah, dah, dah, dah, dah"—you know, gave her a big tribute. And then she went on, and she, unlike everybody else, actually spoke about the issue. I'm not even sure she had a point of view, but she spoke about the issue, which dealt with entitlements. Nobody else had spoken about the entitlements, which is what the paper was about. Everybody was doing their own thing.

I'm watching the news broadcast that night; there is Marion. She is on every damn program. Some of our people caught it, and they made a copy of it. What she said was slightly, slightly different than what she really believed, but she wanted to get something on the topic. She came home. She told me—and this is totally not Marion; it's the only time I can think of that this or anything like this ever happened—she said the only reason she spoke up is she knew that I would be so unhappy if she didn't say something at the session when Clinton was in charge. She didn't want to do it, but she felt like she couldn't face me. That was so un-Marion-like, and it was just—it made me weep, it was really beautiful.

So that was kind of a story. There is one other anecdote with this, which is terrific. If you watched it, it was running late, you may know, and Marion, on the way home, was sitting next to a staff person for the Clintons, and so they were chatting. He said what was going on is he talks and talks, and talks, and talks, and they kept giving him notes: "The dinner is about to be served"; "The dinner is on the table"; "It's getting cold." Then finally he got a note, and he said, "Well, we have to go now. Dinner is waiting." The note was from Hillary, and it said, "Enough is enough."

08-02:12:38
Meeker: Go Hillary.

You know, these economic summits, which had become kind of regular before new administrations, oftentimes seem to me like a test run for people who they are looking at who might play a certain role in the administration. I remember Robert Reich was at that one, and he ends up becoming the labor secretary.

08-02:13:01
Sandler: I have a Bob Reich story for you.

08-02:13:03
Meeker: Okay. Let's hear the Bob Reich story.

08-02:13:06
Sandler: It's really more about somebody else. Laura Tyson is a close friend, and she and her husband were over at our home in Lafayette at the time with a bunch of other friends—probably Tom and Carla were there—no, at that time, it would have been Tom and Gail at that time—and some other people. She was mentioning that she was going to be going to Little Rock; that Bob Reich, who was a close friend of Clinton from—what do you call that thing? When you go to England, what do you get? That—? Fulbright! Not the Fulbright, the other award. In any event, he had been a friend of his from that situation, and he was going, and he had asked Clinton if he could bring Laura Tyson with him—a very intelligent person. When I found out she was going, I said, "Laura, you are going to come back as a member of the Council of Economic Advisers." Everybody laughed and giggled, and so forth, and it was just spending the afternoon together. Of course, as you know, she came back as the chair of the Council of Economic Advisers. Why did I say what I said to her? Do you know Laura at all?

08-02:14:18
Meeker: I met her once.

08-02:14:20
Sandler: Laura is very attractive, and she is very, very articulate and smart. I felt that Clinton's going to meet this incredibly attractive, well-dressed, incredibly smart, articulate person, he is going to immediately put her on the Council of Economic Advisers, the hell he didn't know her before. But he was so struck by her that he made her the chair! That's a true story.

08-02:14:45
Meeker: Well, with that said, do you think that there was an interest in Marion playing a role within government?

08-02:14:52
Sandler: No, no. Never. She wouldn't have had any interest in that at all.

08-02:14:57
Meeker: Did you ever have any interest in that?

08-02:14:59
Sandler: Never.

08-02:14:59
Meeker: Were you ever approached about any of that kind of role?

08-02:15:01
Sandler: Never. No interest. No interest.

08-02:15:04
Meeker: The private sector solely?

08-02:15:06
Sandler: No, it's not that. I am working with this incredible woman, attractive, warm, sweet, charming, funny, witty, intelligent, and I'm spending all my time with—I'm going to go someplace else? I would have to be a madman. I had an incredible privilege, incredibly lucky.

08-02:15:32
Meeker: So tell me about *The Apprentice*.

08-02:15:34
Both: [laughter]

08-02:15:35
Sandler: There is an area where we had a minor disagreement. *USA Today* had a reporter who thought it would be interesting to have a bunch of businesspeople comment on this new program, *The Apprentice*. So she was approached by him, one of five or six people. I said, "Marion, this guy Trump is a phony. He is a fraud. He is a conman. Why would you want to be involved in that?" "Well, it sounds like a lot of fun." Apparently, the process is that they are going to tape a program, they are going to send her the tape, and she only has to make comments—a few sentences long. "And it's fun, so let me try it."

So I dug these out. Let me see. Let's see if I can—So Marion said—oh, here is one. No, this is a resignation. I saw something before the resignation. Let's see. Unfortunately, most of my comments are about the resignation stage. Let me see if I can find something that's not.

I'll give you the relevant information. Oh, well, here: "I found the stereotyping offensive. Did the program intentionally select women who were emotional, scattered, brassy, self-centered, and mouthy? Contrast these airheads with the men, who are aggressive, focused on the product, and selling aggressively with a sense of humor. The men were running a business; the women seemed to be on a scavenger hunt. So why did the women win? Better

retail location? Sexy selling skills? Better strategy? You won't find out watching this program with a hackneyed formula."

08-02:17:41
Meeker: Oh, so she was invited by *USA Today* basically to review it?

08-02:17:44
Sandler: Yeah.

08-02:17:45
Meeker: She wasn't participating in the program in any—

08-02:17:46
Sandler: No. Oh, she wouldn't have done that.

Here is something, in retrospect, interesting. They are discussing giving money. Let's see. Trump says, "It's imperative to make a lot of money and to give a lot of money away." We now know that he has never given any of his own money away. He has given other people's money away who put into his foundation, but he has never given any of his own money away. "Giving was its own reward," he says. So Marion, she resigned as a *USA Today* expert panelist, saying she could no longer tolerate watching *The Apprentice*. "I was amused in the beginning," she says. "I can't take it seriously anymore. It's banal, manipulative, and unreal."

There is something that didn't get on the show. We were on vacation with Harley Shaiken, and Harley's favorite Marion quote, which I think happened after she resigned. The instruction to the contestants was to think outside the box, and Marion said, "It is not thinking inside the box or outside the box—it's thinking at all." She is pretty funny.

Let's see if I can find one or two more. I love this stuff. Oh, I don't if this is—yeah. "*The Apprentice*, many complain, is a cartoon version of the real world. The show's ad campaigns are complete in a day, firings are done without even a call to the legal department or human resources." This is somebody else: "*The Apprentice* is to the real business world what Homer Simpson is to real fatherhood." Then it says, "Business practitioners and experts have argued since day one about whether the program teaches anything of substance. It lost viewers such as Marion Sandler, who found it so unrealistic she couldn't stomach it after watching it for six weeks."

The point is this program is the key why he's our president. God save our country and the world.

08-02:20:18
Meeker: We've obviously learned since that time that he pays close attention to criticism of him, and this is before Twitter, so he wouldn't have had that forum to respond. But do you know if he ever read Marion's criticisms of the program and responded?

08-02:20:36
Sandler: We wouldn't care.

Anyway, I couldn't understand why she did it. She was just having fun for the first two or three weeks, and then it finally got to her. She just couldn't stand it, it was such a bunch of crap. Anyway, that's Marion on *The Apprentice*. But her friends got a lot of kicks out of it. All of us watched, waiting for her comments.

08-02:21:00
Meeker: Did you guys ever come across him?

08-02:21:02
Sandler: Never. But knew lots of people who had met him and knew him. This is a man who, from the time he was a child has been totally narcissistic, psychopathically so, and a horrible human being. He has never done anything for anybody. There is no record of his ever doing anything for anybody other than himself.

Interview 9: July 21, 2017

09-00:00:04

Meeker: Today is the July 21, 2017. This is Martin Meeker interviewing Herb Sandler. This is interview session number nine, and we are here in the offices of the Sandler Foundation. So today, we finally get to move on in earnest to your and Marion's philanthropic work. But before we talk about the establishment of the Sandler Foundation, I want to bridge the two worlds, if you will, of Golden West and your philanthropic work with a discussion of the World Bridge initiative that you ran through Golden West, which was definitely in a philanthropic spirit, a community-minded spirit. And maybe you could just start out by telling me about what World Bridge was, and the role that Golden West and World Savings played in it.

09-00:01:31

Sandler: Well, as usual, I like to put it in context. Bridge was the largest not-for-profit builder in the country, headed by an extraordinary leader, Don Terner, who unfortunately died in the plane crash which killed Ron Brown. We had been supporting them, and I can't remember the numbers, but we had been supporting them for some years, and one of our members of senior management served on their board of directors, and I was told by the chair and others that he was the most effective board member.

I used to get lots of announcements about openings of projects, and for some reason, there was an opening in something called Steamboat Point, which is close to where Delancey Street is, along the waterfront. And for some reason, I went with my son, Jim, and it was an amazing experience. It was about 150 units located in a lovely spot, well kept, and well designed. It was unusually attractive. Lots of the people who were moving in were there. I believe on average, they earned one-third of the median family income in San Francisco. They were all ages and all colors: white; black; brown; yellow; what have you. It was like a UN. And there was such emotion in the room on their part—it was not pretense; you could tell how genuine it was—about this incredible thing that had happened in their lives, that they could live in a place like this at their income level. And then you thought about the fact that there were 3,000 applicants for the 150 spots, and I found it to be an extremely moving experience, and I was literally crying—and a lot of others were as well. And I was very moved by it, and talking with Jim as we left, and I felt we have got to do something to take Bridge to another level.

And when I got back to the office, I called Don Terner. Told him about my feelings, and asked him what was his greatest need. What was the biggest problem he had? And he said at that time, it was construction money: money in order to get the project built. It wasn't takeout money, which means the long term financing. So I gave it a lot of thought, and came up with this wild idea that we would make them a $15 million non-interest bearing loan, and that we would try to use that to lever money from other institutions. The

background, of course, is we had the reputation of being the most conservative company, and we thought that the idea of a company that had this reputation of extreme conservatism and caution taking zero interest and exposing $15 million to loss would have an impact on others. And then we did something, and we had no idea we had a chance about, but we thought we'd try, because others had tried before and nobody had been successful, and seeing if the pension funds would provide construction funding.

09-00:05:47
Meeker: Tell me about the pension funds.

09-00:05:50
Sandler: Well, the pension funds are one of the great repositories of money in this country. As a matter of fact, I believe CalPERS, which is a California institution which is public employees in California—I suspect—are you CalPERS or CalSTRS?

09-00:06:06
Meeker: CalPERS.

09-00:06:06
Sandler: Enormous amount of money, and they invest it, but they don't invest it in construction funds on housing. And CalSTRS, which is also one of the largest in the country—not as large as CalPERS. And we thought we had a case to make that could interest them. That started a succession of meetings, first with junior staff, and then with more senior people. Ultimately, there were board meetings, which were open to the public, at which we presented. We never knew until the very end what was going to happen, and to our astonishment, not only did we get one of them to participate, we got both of them to participate. I think CalPERS committed $150 million, and CalSTRS, which is a smaller although quite large pension fund, committed $75 million.

So that's $225 million now, plus our $15 million, that's $240 million, but we still had something missing, and that is we ourselves did not do construction lending, per se, so we didn't have the kind of staffing that would be needed to make it work as a funder. So we approached two of the large construction lenders, which was the Bank of America and Wells Fargo, and to our delight, it ended up that each of them committed $50 million. So that's $240 million plus $100 million; we are now at $340 million for an institution which was having a problem getting construction funds. Then Ford Foundation also came in and played some role there, but I really don't recall, and it wasn't critical, but it was helpful.

There is one amusing aspect of this, and I noticed that today, the person involved just passed away. Carl Reichardt had been the CEO of Wells Fargo at the time. Kind of a rough, tough guy; sleeves were always rolled up, never in a jacket. And we went to his office, and we had to wait, because they were in a meeting. Then we went into Carl's office, and with his number two

person, the president, Paul Hazen. I told them the story as I've just described it to you, about the meeting there and my emotions, and that I cried. And Paul Hazen suddenly blurted out, "Oh my God. I've never told this to anybody, but I was crying also." And Reichardt just gave him a look, because he is a really rough, tough guy, and Hazen would never admit something like that to Reichardt, but at the moment, because I was confessing, he confessed also, that he had had the same emotional reaction.

So we had this fund now of almost $350 million for Bridge, and we had a long-term picture also, because if trust was established with the pension funds and Bridge performed as I knew they would, then the pension funds would provide funding for other needs, like takeout money or, in fact, put in equity at the beginning. And that, in fact, did happen. Unfortunately, it happened after Don died, but the long-term plan that Don had, which was to show them how good they were and how trustworthy, and how little risk there was, actually, that dream came true. So it's kind of an amazing thing. There's a lot of low income people in decent housing now that wouldn't have been in housing had we not done this.

09-00:09:58
Meeker: Well, tell me about what was produced as a result of that $300 million-plus made available.

09-00:10:05
Sandler: They could do anything they wanted. They had all the construction money in the world. And they put up 1,000 or more units every year, year after year. I have been away from the business for so long, from that part of it; I'm not in the housing arena anymore, but—I don't know what they are doing in production, but they are still an enormous player of not-for-profit housing, and extremely successful. Obviously, he was succeeded. He was initially succeeded by his number two person, who was a woman named Carol Galante, who then went to work at HUD. I think she became FHA commissioner, and was number two in HUD, and today, she heads the Terner Center for Housing at UC Berkeley.

09-00:10:54
Meeker: Well, this really brings things full circle for you, because you grew up in subsidized housing.

09-00:10:59
Sandler: Yes, I did. Yes, yes. That was my whole life until I got married.

09-00:11:04
Meeker: Well, it's interesting. I have gone on Google and seen pictures of the subsidized housing, and it's institutional housing, but it also is not bad. It's quite good looking, and it's—

09-00:11:20
Sandler: I thought it was fantastic. Of course, I never knew anything else. Most of my friends lived in five-story walk-ups around this high-rise, thirteen-story building, which had gardens. And it had a playground for kids, and it had activities. Over the years, however, as the economic realities kept changing, they cut back on things little by little. They had clubs that they were sponsoring for the tenants that kind of disappeared and went away. I don't know what it's like now. I did visit it a couple of years ago, and the gardens are actually more beautiful than they were when I was there.

09-00:12:05
Meeker: Well, there is something to be said for the dignity of being able to live in a nice place as you are growing up.

09-00:12:16
Sandler: Well, of course there is. Housing is a critical factor. We always felt so lucky that a business that we were in, unlike tobacco or other horrible businesses, it was—we did good. It was part of the essence of what we were doing that we were housing people.

We had meetings. We had something called the Chairman's Award in which employees—and most of our employees were very active in their communities in doing things that they were involved in. Some were in suicide prevention, and some were helping with housing, because they had expertise. I remember very clearly, we had all the winners, everybody would talk about what it was that their project was, and the emotion that they showed when they talked about the satisfaction of putting somebody who had never lived in a decent home before in a decent place that they could afford, my God, that's what life is all about. That's what you dream about. And that's what we were able to do.

09-00:13:35
Meeker: Can you tell me a little bit more about the business arrangements? So did all of these other institutions, the pension funds and the banks, did they also provide their loans at low or no—

09-00:13:47
Sandler: I remember very clearly, because we negotiated that. They were going to charge prime plus one, which was the best pricing you could get. So they were doing something which for them had never been done before, and was very risky in a sense, except for the way we made them feel about Bridge and about World's participation. So they gave us terrific pricing on that. It was—

09-00:14:15
Meeker: What were the risks inherent in this kind of investment?

09-00:14:18
Sandler: Well, if the project goes bad. The development business is a risky business, inherently. Terner and his people were just very astute, very careful, very risk averse, because they realized they really were in a position where they

couldn't make a big mistake, because they would threaten all their funding and all the kinds of sources of funds that they could reach.

There was one interesting aspect. Nobody had done this before with pension funds, and I ended up getting a call from the head of HUD, which at that time was Henry Cisneros, wanting to know the details of how we got the pension funds to do that, because they had been working for years trying to get them to participate in housing programs, and they had struck out. And to go full circle, just to tell you a minor story. So he had me talk to the person there who worked for them on that, and she called me. Her name was Sarah Rosen. I told her what we did and how we had gone about it, and she thought it was really terrific, and they were going to see how they could build on that. Years later, when we started CAP [Center for American Progress] with John Podesta, he had somebody working with him whose name was Sarah Wartell, and when she called to get some data on something that John had asked her to get, I said, "Your voice sounds awfully familiar." It was Sarah Rosen. She had gotten married, and that was her name. Oh my God! Bringing all these different parts of our lives together in this way. And worked for CAP for the next many years, and now she is the president of the Urban Institute. Yeah.

09-00:16:02
Meeker: Did you ever attend any of the openings of the new buildings that—

09-00:16:08
Sandler: Oh, yeah.

09-00:16:09
Meeker: What was that like? Can you—

09-00:16:10
Sandler: Exciting.

[Side conversation deleted]

It was very exciting. Of course it's a thrill. You get chills up your spine. It's the kick. It's what it's all about. It's the essence of life.

09-00:16:24
Meeker: Do you recall the first one you attended, and where was it?

09-00:16:27
Sandler: Oh, gosh, no. I attended many of them. Yeah. And any time when we visit, we always like to visit to the extent that it was okay. We would always visit with the manager of the project, and then frequently, we would be introduced to tenants. And that, of course, is fantastic because the thing that always came across—because these are people in lower economic strata who have been living in very dangerous areas, and all of a sudden, they are living in a safe environment. Almost every one of them have children, and that was the first

thing, almost, they mentioned, is the fact that they are safe and their children are safe, and they don't have to worry. That's pretty moving.

09-00:17:08
Meeker: It's interesting. I'm wondering if you could step back and think about this idea of the private sector stepping up in a private sector/public sector partnership to provide low-cost housing. Certainly, there is a governmental role, because they are providing some subsidy to this. But it's also not the old model of the government building the housing themselves, and—

09-00:17:36
Sandler: Look, I'm far from it now, and it's easy to talk when I'm not in the mix myself. I find it hard to understand why we can't solve the housing crisis. We have so much vacant, unused land in this city of San Francisco that there are ways in which projects can be put together. My opinion—it's hard and it takes people of good will who have brains and experience. But I'm not impressed with our city leaders or other people in the game, and it's a problem that can be solved, or reduced if not totally solved. That's all I really want to say about that. It's a great disappointment.

09-00:18:29
Meeker: Well, here you are at the Sandler Foundation. Have you ever entertained any projects that would help address those kinds of issues?

09-00:18:38
Sandler: No. We are involved in different areas now. I had a particular perch at that time, which is I have been in the housing business—I provided funds for residential lending—and so I would tend to think of those things. But there are many other significant issues, and since I am not at that particular point, I have to look at the issues out there and see which are issues that by our attention and funding, we can improve the lives of large numbers of people.

09-00:19:12
Meeker: Well, that's a good segue, then. Let's talk about the establishment of the Sandler Foundation. It is officially established in 1991, so you are still deep into Golden West. At what point in time did you decide that you wanted to formalize your philanthropy?

09-00:19:42
Sandler: So first of all, we had always been giving some money away to various things which we felt we had an interest and where we could help people, but we were very, very, very busy. When my brother passed away in 1988—and that kind of was a jolt, because he died young, at the age of sixty-two, and made us think a lot about what life is all about beyond the business, even though we were so consumed by the business. So we wanted to escalate the level of our giving and take it more seriously, within the constraints of working many more hours than most people work in their businesses. We worked very long hours.

One of the things you do is you probably should have a foundation—not that we were going to staff it. I think the formation of the foundation probably, in retrospect, was premature. All it did is create a formality, but we still had the same problem: we had X hours in the day and there was X hours we could give to it. And we had no staff until after the company was sold in 2006. So you questioned me about it, but it wasn't a big deal. It's a simple kind of thing to do. Actually, we formed two foundations, because we didn't know which one made sense for us. One was a so-called "private foundation," and one is so-called a "public foundation." The differences are relatively minor, and we didn't know which one was better for us because we were uncertain. We were inexperienced in that arena.

09-00:21:30
Meeker: The offices of the foundation we are sitting in now, which one is that?

09-00:21:36
Sandler: Well, we stopped using the private foundation many years ago, and it's just been the public. We did make an ultimate decision. There are some minor advantages of that. When you are a supporting foundation, it means you are established in an organization which handles a bunch of other supported organizations, and so they kind of do our back office work and stuff like that. So it just means that there are administrative things that we don't have to worry about once we establish the relationship and establish the trust that has to exist, that they are going to do their job correctly.

09-00:22:14
Meeker: That's the Jewish Community Endowment Fund?

09-00:22:18
Sandler: Jewish Community Federation. I don't even remember the details anymore.

09-00:22:22
Meeker: Do you want to talk at all about the establishment of the relationship with that organization?

09-00:22:28
Sandler: No. It's totally irrelevant to what we do. If it wasn't them and it was somebody else, it would be all the same. If we were a private foundation, it would still be the same. What's important is how intelligent is the giving we're doing and the work that we do. Are we having impact? Are we changing the lives of large numbers of people for the better? Are we doing good? What the form is is totally irrelevant.

09-00:22:59
Meeker: Do you recall any specific early conversations you and Marion were having about this? Perhaps in response to your brother passing away? What it is that you actually wanted to do with—

09-00:23:13
Sandler: What we did is the four of us—Marion, Susan, Jim, and myself—sat down, talked about it at great length over a period of time, and then we said, okay, we are going to start to give more money; let's decide what areas we think we A) have an interest in, and B) can achieve the objectives that I have been discussing. And so we sat in the house, and the apartment, and the office, wherever we were, and we had a flipchart, and we would—the agreed-upon discussion would be let's throw out ideas about which we may be interested in. Nobody can say anything negative. This is, incidentally, the way we ran the business. We did the same thing when we had a meeting. You throw out the ideas first, with nobody talking anything down at that point. Then we had a long list of areas, and then we decided. Did anybody really not want to be involved in any particular area? Disagreed? And there may have been a few on that. And then was there anything that anybody really thought was terrific, and we should be involved in? That meant it had a sponsor among the four of us. Then you worked that through, and ultimately you come to a consensus of what we think are important.

Human rights I remember very clearly was among the first that we became interested in, in part because we were all interested in it, and in part also because we know Lenny, my brother, had been very interested. And that was that. There were others that we were interested—education and a whole variety of other things. Each of us had assignments, and we started to do research.

09-00:25:14
Meeker: So you weren't thinking of particular organizations at this point?

09-00:25:16
Sandler: No!

09-00:25:16
Meeker: It was just broad areas?

09-00:25:17
Sandler: You had to find the lay of the land. I remember, actually, a funny coincidence. Marion had been working, when we were in New York, as you remember, at Oppenheimer & Co. And her boss, the senior partner and—well, there were two people, Leon Levy and Jack Nash. Leon in particular was a very close friend of mine, and Leon was endowing an economic center at Bard College. We happened to be in New York, and we were going to the opening, and Leon had actually hired a train to take all the guests up from New York to Bard. We were sitting with Leon and Jack, and we were telling him about our interest in human rights. They said, "Well, Bob Bernstein is sitting over there. He is the chair of Human Rights Watch. You ought to meet him."

So Jack took me over and introduced me, and then after we chatted, he said, "Well, you should meet with Aryeh Neier, who was the head of Human

Rights Watch." That became a very close relationship. Aryeh is a brilliant individual with enormous knowledge, and he really gave us an education, and he gave us all kinds of people we could meet, and places we should go to learn more about it. He facilitated our research considerably.

09-00:26:47
Meeker: What did that research then entail?

09-00:26:50
Sandler: Well, I met with human rights people from all over the world: Australians, I remember in particular; Great Britain; and in the United States, people with whom I agreed, people with whom I didn't agree. I did a lot of reading, just as you might be in getting ready to do a book—within the constraints, of course, of running a business, of size at that point. And felt we understood something, and we learned—and it turned out we were right—that Human Rights Watch was one of the most if not the most impactful human rights organizations in the world. We started by supporting Human Rights Watch, then we also supported the Lawyer's Committee for Human Rights, then we also supported Physician's Committee for Human Rights, and a few others, none of which were as effective, actually, as Human Rights Watch was.

09-00:27:58
Meeker: When you are doing this research, touring around, speaking with people who know the terrain of human rights, you said that there were people you found who you agreed with, as well as people you disagreed with. The landscape is huge, and when you are dealing with multiple entities, multiple countries, multiple cultures, "human rights" means something different to different people.

09-00:28:23
Sandler: I have to assimilate that and make a judgment call. It doesn't mean I'm right. It means that I'm drawing conclusions based on the evidence that's out there, both written and verbal.

09-00:28:35
Meeker: What kind of things were you hearing that you were disagreeing with?

09-00:28:38
Sandler: I can't remember the details anymore, but I remember very clearly that the way human rights was dealt with in California made no sense to me. They were totally ineffective. It was, if you will excuse me, extremely academic, not in the real world, and had no impact on anybody. I can't remember the person's name; it was somebody who became a judge. He was a very interesting person, very smart, had a big following, and they accomplished nothing. I am interested in impact. Everything is driven by impact. Do we change anything by what we are doing? That goes to the nub of everything in ProPublica, because we win all these Pulitzer awards—well, I am sure we'll talk about this later—and all these other awards, and that's good for the ego. But if we haven't stopped an evil practice, what the hell good are we doing?

09-00:29:44
Meeker: Also thinking about human rights and the way it's thought about internationally, how did you start to think about "cultural relativism," I guess for lack of a better term?

09-00:59:58
Sandler: Here is a story that may answer a few things. Marion and I and her brother went to South Africa on a trip, and we were helped by Aryeh Neier and others with all kind of introductions to the human rights communities in South Africa, both in Johannesburg and Cape Town, et cetera. It really was pretty exciting. These are people who would put their lives on the line and had fought apartheid. It was an incredible lesson, and we learned so much.

But towards the end of the trip, Marion raised a question, and she said, "We have been here for X days, and we are meeting all of the human rights leaders and participants, but we haven't met any businesspeople, and we are businesspeople, and we ought to find out what business is like in South Africa." So we made a call back, and within a day or two, they arranged for our last day in town to meet with a bunch of the business leaders—these are investment bankers, bankers, and other business people—in the Carleton or Carlisle Hotel; I don't remember the name anymore. I don't know how many people; six or seven people. We go in there, and we start by say, "We'd like to learn something about business conditions in South Africa." And the response comes: "Well, before we discuss that with us, you have to understand the human rights situation here." That says it all, because if you don't understand the situation in the country, with apartheid—and at that point, it was just at the time they were releasing Mandela—if you don't understand the dynamics of that, you don't understand business. You can't. That was a very important insight.

09-00:32:12
Meeker: Why was it an important insight?

09-00:32:17
Sandler: Because human rights is not something off in this distance. That's the idiocy of the current administration in this country, who doesn't know a thing about human rights, isn't interested in human rights, has a Secretary of State, a person who is used to dealing with dictators and thinks that's the way to get business done. That's not what the world is about, lives are about.

So what you had there is the height of human right violations, in which a majority of people of black color were controlled by a small minority of whites. You go through the countryside and you will see the places where the blacks are forced to live are hidden, so you could drive on the highways and never see them. Marion and I were in Alexandria, which is a township for black people, and we were up on a hill looking down on the community. There was an armored truck about a half a block behind us. Something

happened to get their attention. The sirens went off, and they swooped down into the community with military people piling out of it.

[Now animated] We don't understand that in this country. Nobody understands the threat of an ignorant person who is an authoritarian like Trump, and the impact he is having both in this country and across the world. This ties into human rights inextricably, and if you don't understand that, you don't understand what's going on. It's pathetic.

Sorry.

09-00:34:03
Meeker: No need to apologize.

09-00:34:09
Sandler: The dignity of a human being. One of the most exciting things we did: Human Rights and others used to organize these writing campaigns to save peoples' lives because by focusing international attention to, somebody who is in prison and is likely to be executed—we'd save lives by those initiatives. Marion organized a writing campaign like you never saw. To meet a person who was going to be killed and whose life you saved is an unbelievable gift from God.

09-00:34:50
Meeker: So Marion took a direct part in some of these campaigns?

09-00:34:52
Sandler: Oh God yes. She was a killer. She attacked the people in the State Department, people who were charged with dealing with the human rights arena, because they never satisfied us. They never were aggressive enough. They always had too much to do, and we were intolerant. We didn't think that it was our job to make excuses when peoples' lives were at risk.

09-00:35:13
Meeker: So this would have been in the nineties, right? During the Clinton administration?

09-00:35:17
Sandler: Yeah, the nineties.

09-00:35:25
Meeker: Tell me a little bit more about Human Rights Watch. I'm curious about your sort of legendary background research, and making sure that you are supporting an organization that's going to be around, and is going to be effective.

09-00:35:47
Sandler: Well, first of all, you look to the leadership, and then the capacity of the organization. Aryeh Neier was a founder of and a leader in the human rights community. But he was succeeded by his deputy, who was a much better

manager than Aryeh, Kenneth Roth. He is just brilliant. He is strategic, thoughtful, organized, planful, effective. We watched him very closely, particularly at the change from Aryeh to him.

09-00:36:33
Meeker: When did that happen, roughly? Do you remember?

09-00:36:34
Sandler: I don't remember anymore. It's a fair number of years now. Aryeh went on to become the head of the Soros foundation's Open Society.

09-00:36:46
Meeker: Right. Because Human Rights Watch was one of the first established organizations that you really made a big investment in.

09-00:36:55
Sandler: Yes. Which has increased over the years.

09-00:36:59
Meeker: Tell me about the process of establishing a relationship with the leader. What are the appropriate—

09-00:37:08
Sandler: You meet. First of all, they do an enormous number of reports. You read the reports, you ask a lot of questions. Marion, for a long time, used to critique their reports, because their reports were very long, no pictures, no maps, nothing. She bugged them until they changed that whole thing, and their reports are far more interesting and far more accessible. The report itself, reporting on the violations of human rights, are important, but if nobody reads it, what good does it do? It's got to be accessible, and she used to bug them about that.

So she was a critic, as was I, of a whole series of things. If what we said made no sense, they wouldn't listen. But if you say things that make sense—so we weren't part of the entity, but we were very close, questioned them closely, aside from the fact that we were giving money. When you give money, it's amazing how much more witty you become, and how much more handsome and beautiful you become, and how much more intelligent, and you are an extraordinary human being, and your jokes are incredibly funny. That's a danger of the foundation world, it's like the movie world: everything turns about you. It's very critical to understand that.

So we knew our place, and we tried to make comments that were constructive, and that would help them. And when people see that what you are saying makes sense and it works, that's how a relationship is built. I can give much better examples for some of the other institutions.

09-00:39:04
Meeker: Well, you are explaining this, and this will certainly unfold in the context of these other institutions, but as you are helping Human Rights Watch and engaging with the directors, you are simultaneously establishing your persona as a philanthropist, your approach to engaging with leaders of independent organizations in which you have made an investment. I assume that you and Marion said, "This is what we can do. We shouldn't do this. We should let them—" How do you come up with that? How do you come up with your management style, in essence, when it comes to—

09-00:39:51
Sandler: Can I take the liberty of reading something?

09-00:39:54
Meeker: Sure.

09-00:39:54
Sandler: It wasn't like this from the beginning. Pieces of what I'm about to say were always there, but over the years, it evolved, it become crisper. What I'm going to read to you is relatively short. It talks about our mission and our approach, and I'm going to emphasize certain words—my voice will be louder to make the point.

So in our mission [of the Sandler Foundation], we say, "We invest in strategic organizations and EXCEPTIONAL LEADERS that seek to improve the rights, opportunities, and well-being of others, especially the most vulnerable and disadvantaged." Obviously, there are exceptions to this in general, but this is the thrust. And what's our approach? This, it will answer many of your questions, I think: "We believe that transformative change requires STRONG LEADERS and well-managed organizations with significant capacity and the ability to adapt to changing circumstances. Accordingly, we focus on providing meaningful levels of GENERAL SUPPORT," as distinguished from project grants, "to a limited number of outstanding organizations. We have high STANDARDS for what we fund and conduct EXTENSIVE DUE DILIGENCE to evaluate leaders and organizations. We are not motivated to fund solely by an organization's mission; rather, a compelling mission needs to be combined with great leadership and the ABILITY TO EXECUTE and effect change. We provide LONG-TERM SUPPORT to outstanding organizations that combine these attributes."

And this part now is going to get to, I think, the essence of what you are talking about: "We view nonprofit leaders and organizations as the experts and agents of change. IT IS ABOUT THEM, not us. We are not micro-managers, but rather, view OUR ROLES AS MACRO-MANAGERS focused on big-picture issues like maintaining high standards of EXCELLENCE, pursuing ambitious goals and sound strategies, and assembling a high-quality team that can execute and manage risk effectively. We look for opportunities to ADD VALUE beyond just our funding, and often work with grantees to

catalyze their expansion and improved operating capacity so they can have greater reach and impact for the long term. We have a high tolerance for RISK, and look for opportunities for LEVERAGE. We have launched new organizations to fill the GAPS when we could find outstanding leadership. We often issue challenge grants to encourage other donors to support organizations. We strive for IMPACT that makes a real and lasting difference in the lives of large numbers of people. We primarily fund nationally, not locally, regionally, or internationally, and we support policy advocacy, not direct services. We are a SPEND-DOWN foundation with a lean staff. We do not structure ourselves around program areas or spread funds among many groups in a field." It's pretty clear.

09-00:43:51
Meeker: It's very clear, and it sounds to me like that could be in the promotional material of a venture capital firm.

09-00:44:00
Sandler: We see ourselves as a venture capital fund. We are a venture capital firm in the not-for-profit arena, so I use the words like "risk," "leadership," "impact," "leverage," "gaps." That's what we are, and we describe ourselves as such.

09-00:44:20
Meeker: Clearly, this is a statement that has been evolving over the time.

09-00:44:24
Sandler: Right. Almost everything here was in there from the beginning, but not as clear. Some of it was clear from the beginning; others became more clear over time.

09-00:44:32
Meeker: But here we are in the Bay Area, in the hotbed of venture capitalism in the United States. Did you have much interaction with the people who were pursuing that in the private sector?

09-00:44:43
Sandler: No. Not really different than we ran our business. I could use most of these words in the way we ran our business, just the way we approach things. It's rational, it's thoughtful, and it's been pretty successful.

09-00:45:04
Meeker: A lot of interesting phrases in there, but the point at which you say, "We are not micro-managers, we are macro-managers"—

09-00:45:13
Sandler: Macro-managers. Very critical. I really wanted to emphasize that, yeah.

09-00:45:17
Meeker: I wonder if there are many agency directors or nonprofit directors who would lean back and go, "Hmm"—

09-00:45:29
Sandler: So—

09-00:45:30
Meeker: —"I don't know what that entails."

09-00:45:32
Sandler: Well, you are raising a discussion that's taking place among foundations. We were asked to speak at a foundation. I was a friend of the head of the foundation, a large foundation, much larger than us—to speak to their staff. I went with Susan and with Steve Daetz, and each of us spoke, but I started, and I said, "If you remember the movie *The Blues Brothers*, we are here on a mission from God. We are here to persuade you to give more of your funding in the form of general support rather than project grants." And that's a major problem, I believe, in the foundation world. If you have done your due diligence, if the mission is important, if the leadership is outstanding, and the capacity to implement is there, why are you telling them how they should spend the money?

Take the Center for Budget and Policy Priorities, which is an incredible organization working on behalf, generally, of issues affecting poor people. The head of it is Bob Greenstein. There is no way on God's green Earth that I and anybody else here is smart enough to be able to tell Bob what to do that would be better than what Bob and his team thinks they should be working on. So why should we tell him to work on the earned income tax credit when he may want to decide that the money would be better spent in doing XY? If he's as good as I think he is, if his team is as good as it is, if their mission is a mission with which we agree, why are we telling them how to spend their money? And I have a program officer that's going to check whether they met this metric or that metric, or the other metric, and establish a little silo with a lot of turf. What you want to do is empower and strengthen them so that their good judgment will have the most impact.

They are an exemplar of that kind of thing, but it pervades everything we do. Who are we that we are so much smarter? If we've done our due diligence and if they are that good, why are we telling them what to do? Are we really that much better than they are? You don't know a fraction of what they know about the field. Well, you know enough to be interested and know that you can make change that will affect positively the lives of large numbers of people, but they are the ones who make it happen, not you. So don't put the money for this or for that. Give them general support.

Now, there are exceptions, but it's a big battle. And it's been very satisfying to us to see a number of the major institutions allocating much more money in the recent years for general funds, for general support, rather than project support. It's been a big advancement. Ford has increased it significantly—it made a major announcement—and others have done the same. Open Society has done it, and others as well.

I think what I have just been talking about is a big deal.

09-00:49:05
Meeker: To what extent do you see this as sui generis, that you guys were on the leading edge of this? To what extent was your approach influenced by others in the foundation world?

09-00:49:23
Sandler: I am not sure I can answer that clearly, because it did evolve. But I will tell you—and in fact, it's in a book he wrote. John Podesta wrote a book on "Progress and Something" [ed note: *The Power of Progress*]—I don't remember the name. Don't let him see this, that I can't remember the name of his book. And he made the comment to us personally, but it appears in the book, that CAP could not have gone from John Podesta and two other people to the most impactful think tank in the country were it not for the fact that when we started, everything we gave him and all the other people who were giving money gave it in the form of general support. It gave him the flexibility to make the best decisions he could without worrying that I have to put it for communications, or I must do it in states A, B, and C. We empowered him to make it into a great, impactful organization, and we have been told that by others as well.

There is an organization, MDRC—it used to be Management, Demonstration, Research Corporation—that does evaluations of initiatives that hopefully help, generally, poor people, or some disadvantaged group. What do you call these studies when you—oh, I can never get the words out. There is a scientific expression for it.

09-00:51:12
Meeker: Longitudinal studies?

09-00:51:13
Sandler: Longitudinal, but they are also controlled. There is a word that describes it. Double blind. They get a lot of their funding from winning contracts to perform this work for foundations, for states, for cities, for communities. When they win a contract, there is hardly any money in there for general support. They are going to go out of business! So we and a handful of other people provide the general support that keep them alive in order to make them one of the most important organizations to do the work that they do. That's crazy! Nobody seems to understand you can't operate unless you actually have general support. Another idiocy in the world of not for profits.

09-00:52:07
Meeker: Well, during this, say, the first ten years—'91 to 2001 or thereabouts—when you have got the private and the public foundations, and you are trying to still run a company, but clearly moving more in the philanthropic direction, are you touring around or engaging with a variety of different foundations to see the way in which they do their work?

09-00:52:37
Sandler: We are thinking things through ourselves. You read the literature or the news stories. But I never much read the press on charitable institutions. There is an organization now which I read because they write interesting articles called *Inside Philanthropy*. But they have only been in existence for a couple of years now. No. You can learn by talking to others.

09-00:53:16
Meeker: Did you sit down with someone like George Soros or whoever was heading up Ford or Atlantic Philanthropies?

09-00:53:20
Sandler: Before we started, I think the two people we spoke to were Susan Berresford, who was the president of Ford Foundation at the time, and Peter Goldmark, who was the head of Rockefeller, both of whom we knew. I knew Susan quite well. And told them we were going to start to increase our giving, did they have any suggestions? They made some suggestions and thoughts.

09-00:53:45
Meeker: Do you recall what they said?

09-00:53:46
Sandler: I remember in Susan's case, she felt some of the most satisfactory work that had been done had been in an area where they created a new movement. So for example, Ford funded the women's movement. All of these organizations dealing with women's right essentially came about because Ford funded them. Human rights, Ford was the key funder. So the human rights organizations that came into existence were largely through that. And that did resonate with me.

If I recall Peter Goldmark's, I think he was something—if we could define something that could prevent pregnancy, but it would be something done to the male rather than to the female. I remember something like that. Good idea, but never anything we had any expertise in.

There was somebody else we saw at the beginning, but those were the only people that we saw that I can remember. I knew Peter Goldmark is somebody who thought out of the box, and I knew Susan quite well, and so that was why I spoke to them.

09-00:55:10
Meeker: There is several types of giving, but maybe two of the largest types of giving are philanthropic kinds of giving that the government would see as tax deductible, and then there is giving to political candidates, to political organizations; kinds of giving that is not tax deductible. Did you, early on, decide what the balance would be in your lives?

09-00:55:38
Sandler: No. I never enjoyed political giving. I gave when I felt that the things I believed in would be some more likely to have a chance by giving to X rather than to Y. I clearly am progressive. I really care about people. Of course, what's happened to the Republican Party is a disaster, not only for the country, but for the Republican Party, which at one time was a great party with terrifically able people. But there seems to be a lack of concern, of empathy. It's like when things were given out, they weren't there the day they gave compassion, and empathy, and understanding for people that didn't have the advantages that they have. I find that hard to comprehend, and I have never been able to come to terms with it.

09-00:56:51
Meeker: Right now, it's the apparent lack of concern for the dismantling of American democracy that is most troubling, I think.

09-00:57:00
Sandler: But health care is a specific issue which everything goes into play. Trump is interested in a win; the Republican Party wants to follow the objectives of Paul Ryan, who really appears to have no comprehension of the impact of what he does to people of low income or moderate circumstances. I do not understand and cannot begin to comprehend the idea of worrying about tax breaks for people who are extraordinarily wealthy. I just don't know where you are coming from, other than, of course, you know you are going to get a lot of financial support, and I can't get financial support from poor people. That's off the topic.

09-00:58:03
Meeker: I have on here "development of a strategic planning approach." Can you talk about that at all as far as—

09-00:58:09
Sandler: I think you have got too big a picture of what that's about. It's a question of how you do things. Do you go ahead and think about it ahead of time? Do you jump in? Or do you say, "Now, let's see. What are the issues in this particular arena? Is there a mission? What are our goals and objectives? How do we achieve them?" Marion and I did everything like that. We did it in our business, and we did it in our personal lives. We would sit down and talk about lifestyle from time to time. Are we working too many hours? Are we becoming too narrow? What is a better life? You are always discussing children, but everybody does that. But not enough people think about what is life, what is life all about. How do you want to spend your time? Or do you just go with the flow no matter what?

So we would think about the business, we'd think about our children, we'd think about our lives, we'd think about our friends, we'd think about society—and when we turned to philanthropy, we'd think about philanthropy. Nothing big deal. Of course you have a strategy; you don't just rush pell-mell in. In

human rights, you find out which is the most impactful organizations, which one will accomplish the most for people in an effective way. Whom can you trust? Who is credible?

That's strategy, I guess, but I think in our conversations, you seem to think there's some magic thing going on. For me, it's how you approach life and whatever you are doing in an orderly, thoughtful way. I know from conversations with others that many others have a lot of problems with that. They don't know how to do that, and you try to help them when they come and ask for help. I'm a big pusher of lists. What are the positives? What are the negatives? Let's review them. Is it exhaustive? Is it accurate? Oh, well, now that I write it down, I realize I didn't really want to be doing this—I wanted to be doing that! Is that a strategy? I don't know if that's a strategy. If you are looking at philanthropy and you are focused on an area, you want to do a scan, you want to find who are the players in the field, what's the leadership like, what's the capacity like, what's the integrity like, et cetera, et cetera, and then you narrow in on the issues that you want to accomplish.

09-01:01:07
Meeker: When you are doing that research, are there certain actual data points that you are looking for? Or is more kind of a gestalt that you are trying to—

09-01:01:16
Sandler: I think it's a gestalt, although I must say we were fortunate in Marion's being involved, because Marion was an incredible interviewer. I don't know if we ever discussed this earlier, but in the business, most people don't know how to interview. They don't know how to go about the process, they are not organized about it, and frequently, actually, they are uncomfortable with it.

09-01:01:51
Meeker: On what side of the interview?

09-01:01:53
Sandler: From the interviewer's side. And Marion had a way of opening up the conversation in a way in which, after an hour, I knew that person intimately. There are some simple rules. You don't ask direct questions, you ask non-direct questions, which lets the interviewee have to think and open him or herself up. When she interviewed, she'd take copious notes of everything you said, and never interrupt you. But she'd come back to the critical issues after you got everything out of your system. If there are pauses, she won't interrupt. Too many interviewers get uncomfortable with a pause in the discussion because you are worried that the other person's uncomfortable. That's not the point. The point is to find out what this person is all about, what their strengths and weaknesses are. So I stopped interviewing for myself any important people who would report to me and have Marion conduct the interview, and then I would wait until the end, and then I'd ask my questions.

The same thing is true in the philanthropic arena. I've got letters of condolence when Marion passed away from a large number of people—many of whom are the heads of some of these organizations—remembering what the interview was like, and having an unbelievable sense of achievement when, at the end of it, it was clear—when it's all over, she lets you know how she feels. The feeling they had that it was the toughest, most rigorous, fairest interview they ever had, and totally honest and objective, it's a magic thing.

09-01:04:08
Meeker: Well, it's become legendary. It was mentioned in every single pre-interview that I did.

09-01:04:15
Sandler: It's just, she knew what her objective was, which was to find out whether this is a person who is likely to be successful, and with whom we could work together to achieve great things.

09-01:04:31
Meeker: And knitting.

09-01:04:33
Sandler: Yeah. She would knit, yeah. The knitting came up all the time.

09-01:04:37
Meeker: Was that just something she did, or was that a performative aspect?

09-01:04:42
Sandler: Oh, no. She loved to knit. I can't remember the whole story. There was somebody who later became a federal district judge who was the senior counsel of the president of NOW, the [National] Organization for Women. She was the luncheon speaker at a conference at which Marion and I and others had spoken, and it was a real bad audience in the sense that they—it was the old-style audience of aggressive males showing how terrific they were by trying to put her down. One of them made some comment to her about "Now, why can't you be more like Marion Sandler, who sits there quietly and knits?" And then she turned it around on him and said, "Well, you see, that's because Marion knows how to use her time effectively, and she is not wasting time." It was a really sarcastic comment he made, and she destroyed him, turned it around. But she was a very sharp woman, again, and became a federal district judge here in San Francisco.

No, she knitted because she loved to knit, and it kept her busy—she was accomplishing something. She was doing something. But those who thought she wasn't listening always found out that suddenly there was a question asked—and this has happened again and again. Everybody's questioning; I'm a big talker and questioner. But then she'd ask a question; it went to the absolute heart of the issue. All the rest was blah-blah, and she went to the heart of it. She was knitting. How did that happen? Who expected that? And that happened again and again.

She loved to knit, and she loved to knit for our friends who had children, because when you do it for a child, she finished it so fast, she had this feeling, whoopee! It's over! And then she'd start another one. If you come to my apartment, you will see I've got—closets stacked with sweaters all over. Yeah. So, no. She loved to knit, and she really knew what she was doing.

09-01:06:53

Meeker: Thinking, again, more broadly about your approach here: The response to my question around strategic planning was good. It, I think, explains a lot. It's apparent that you have been on the leading edge of trying to get foundations to look more at general support.

09-01:06:17

Sandler: Very much.

09-01:07:19

Meeker: Another movement in the foundation world, in the philanthropic world, is I wouldn't quite say the opposite of that, but another track, and that is trying to find explicit metrics to evaluate the relative success of a nonprofit or a political movement in order to justify future investment or explain disinvestment.

09-01:07:51

Sandler: Yeah. Well, metrics work in some arenas. They work, for instance, in direct services: how many people did we help? But when you get into some of the areas that we are in, it's a lot more complicated. What are the metrics for ProPublica, in which we are focused on exposing corruption and abuse, betrayal of the public trust, et cetera? How do you measure the effectiveness of CAP, which is an advocacy organization seeking to change the political spectrum in a more favorable way to people who are not as advantaged as we may be? It gets a little bit more difficult. I think by and large, it's probably a silly conversation. It really depends on what the entity is and what its objectives are to determine metrics. It's certainly essential for a system in which you are giving project grants.

See, the problem in part is due to the system. You have people who have an expertise—program officers who have an expertise—in a particular area, and they have their way of looking at a particular issue, and they are going to be very involved in the criteria that the organization is going to have to put in their grants. That's what they call "grantmanship": figure out what the program officer's biases are so you can get the program officer to do this. Then there is a reporting system. How have I done on whatever I said in there? Well, that makes me happy as a program officer—I have got something to do here. I can check this, this, and this, and this. It's a lot more difficult on general support to do the evaluation. Not impossible, but it's a different kind of thing. There is a place for that in the system, but to have the bulk of your spending of a large institution be dependent on project issues takes away from

the impact that you would otherwise be able to achieve. I don't know if that makes any sense to you, what I'm saying.

I think there is a great loss in effectiveness. Go back to the Center for Budget and Policy Priorities, in which I tell Bob Greenstein, "I want you to work on the EITC, and do this, this, and this." The end of the year, I look at it. Did they do it? Didn't they do it? But let's assume they did it. Have they strengthened their organization? As a matter of fact, would that money have been better off and would more people have been better off if they worked on a different issue in a different way? With a typical program officer, with a project grant, that project never comes up. I'm the program officer; this is what I need; this is what my boss has told me; these are my biases—I don't call them "biases." That's not the way to give away money effectively, in my opinion. There is always a place for the project grant, but to be all project grants? This is crazy.

09-01:11:27

Meeker: The foundation has never had program officers, then?

09-01:11:31

Sandler: No. Well, of course, we are odd because we are really very thin. We are all generalists. It's harder. It is harder. So Ford made this announcement that they are going to do X billion more in general support. I'm sure there are problems internally where you have to find a different kind of program officer who has a generalist approach and can think differently. I'm sure it's a problem for them. So we are lucky. We are a small foundation, and we just have a few of us that we have to worry about.

09-01:12:14

Meeker: Can you tell me about the staffing of it and the distribution of work along those lines?

09-01:12:21

Sandler: Well, we all are involved. There are five of us here at the present time, which is lower than we have been in the past. Incidentally, one of the reasons we are able to be that thin is because we are a long-term funder. We don't change. If you look at a lot of foundations, you have a new CEO or your new program officer in an area, and they'll stop funding what they were funding and do something else. Our theory is that if the mission is still important, and the leadership is still outstanding, and they are still achieving impact, why would I stop funding them? I'm going to get interested in a different field all of a sudden? If it was important then and I have the leadership, why am I changing?

I'm off the track. What was I talking about before that?

09-01:13:14

Meeker: Well, talking about administratively how does this—

09-01:13:18
Sandler: Oh, how many people here. So there are five of us here, or six when Marion was alive.

09-01:13:26
Meeker: You count yourself amongst that five?

09-01:13:28
Sandler: Oh God, yes.

09-01:13:28
Meeker: And you don't take a salary?

09-01:13:30
Sandler: No. No. Jim, Susan, or I derive no salary. I actually pay for my office. Steve Daetz, who's our executive director, who is an extraordinary individual, extremely able; he is the whole package. He is the real McCoy. Jim, Susan, myself, and somebody named Sergio Knaebel, who came from Packard Foundation and did have a background in environmental issues, but he is way beyond that now. He had to make the adjustment, which he has done, and we are all involved in all the grants.

09-01:14:11
Meeker: So that's, in essence, the program team?

09-01:14:14
Sandler: That's the team.

09-01:14:15
Meeker: Yeah. With some administrative support staff?

09-01:14:18
Sandler: We have certain administrative support, right.

09-01:14:20
Meeker: Yeah. So what is the process? You guys, I assume, meet regularly, or is there a quarterly meeting where you decide—

09-01:14:31
Sandler: First of all, we are together all of the time. It's not very hard with five people, so we do have an advantage in that. But we also do meet regularly to make sure we are covering everything. Steve really leads us day to day. It's pretty simple, pretty easy. We will use, from time to time, consultants, when it's going to take more time and there are people that we trust that have either worked for us before or whom we know. They will be retained to work on a particular problem in which they may have an expertise, and then bring it to us, and then we'll take it from there. But we don't do much of that, but we do some of that.

I'm very excited about something we are working on now which involves an attack on the bail system in this country. A fellow whose name is impossible

to pronounce, Alec Karakatsanis, who is a Harvard Law School graduate, and he is about thirty-two. He has, through his brilliance and creativity, been attacking the system of bail in this country, which in essence screws poor people. I can give you a simple example. You are arrested while driving, and let's assume you didn't give a signal. People get arrested for that, you know. Let's assume bail is set at $2,500. That means you will never go to jail if you can pay the $250 fee to the bail bonds person. You haven't been convicted of anything yet. What if you don't have the $250? You know what happens in this country? You go to jail. You may be there a day, a week, a month, or longer, and you haven't been convicted of anything. It's unconstitutional, it's immoral, and it's an outrage.

And until this young person started working on disrupting the system, that's what's happened. He has won decision in area after area around the country, turning the system upside-down and say no, if they can't afford to pay, and unless there is any unusual circumstance—that he or she is a threat to the community—they walk out. Just because they are poor doesn't mean that they have to go to jail. They are fighting debtors prisons and a whole series of other issues in the criminal justice system, but there is this young, brilliant person who has now put together a staff, with our help and the help of a few other foundations, and he is going to disrupt the unconstitutional, outrageous aspects of our criminal justice system.

I have to tell you, I feel fantastic, because this affects millions of people. At any one time, there is about 500,000 people in jail because they can't afford the bail. How about that? Did you know that was going on in this country?

09-01:18:05
Meeker: I have been aware of this. I have been hearing about this work.

09-01:18:08
Sandler: That's right. Because of this guy, you are hearing about it, because there is editorial now after editorial. We have got editorials all over the place, the *New York Times*, I think the *Washington Post* has stuff on it, and it's—

09-01:18:19
Meeker: Well, it's kind of turning into a movement. It's moved beyond this individual.

09-01:18:22
Sandler: Yes. It's Alec Karakatsanis.

09-01:18:26
Meeker: Yeah. Let's see here. I think I've actually covered a fair bit of that. I do have one other question. I want to move on to the health stuff today before we have to wrap up. But before we get to that, I actually do have one question. This was brought up in a couple of the pre-interviews. I can't remember exactly who brought it up. But as a philanthropist, as somebody who is widely known and well connected, and has a broad group of friends, clearly, you are going to be targeted, you and your foundation, for support for things that maybe you

don't necessarily think is that important, but is important to people who you know well. How do you respond in those situations?

09-01:19:34
Sandler: I'm not sure I understand the question.

09-01:19:37
Meeker: Basically, I vaguely remember who this person was, and she said, "Something interesting about them: I advised them early on to set aside a pool of money that they could use to"—

09-01:19:52
Sandler: For friends?

09-01:19:52
Meeker: For friends. "Because you will get asked." How do you respond? How did you develop a response to that?

09-01:19:01
Sandler: First of all, most of our friends don't ask. They value the relationship more. Occasionally, we get that kind of thing, and we will give a small grant: a $1,000, $5,000, $10,000, maybe we have done a $25,000, but that's where we look at the thing and it really looks like it's something we think is pretty good, even though it doesn't fall within our area of focus. But it's not a problem. We worried about it ourselves, but it's not a problem.

I do have a funny story for you. I can't remember—did I mention at one point that at one point, we visited Bloomberg when he was in his second term?

09-01:20:50
Meeker: Mm-mmm. Mm-mmm.

09-01:20:53
Sandler: So there was somebody working for Bloomberg. It was his commissioner of health, and he had become a friend of ours; somebody had introduced us. He had been looking at our grant categories. It's a one-page summary of what we give to.

09-01:21:09
Meeker: Can I see that? All right. Just to read here, the main grant categories, if you will, are policy development advocacy, expose corruption and abuse to produce systemic reform, and strengthen research networks and/or capacity. And then finally, the fourth category is support innovative scientific research and improve health.

09-01:21:36
Sandler: He said he has never seen any foundation so clearly state what they did, and he had asked us to come in and meet with Bloomberg when he was in second term, before he had been discussing a third term, because he thought Bloomberg would find it interesting. Now, we had never met him, so we were

very interested, and we came in. It turns out we have lots of mutual friends, so the conversation was much longer than it otherwise would have been.

Finally, the person who worked for Bloomberg, our friend, said, "Well, why don't you get started? Tell him some of your principles." Marion said, "Well, first of all, you would want to focus on something which is impactful, which affects large numbers of people." It turns out he's a brilliant philanthropist. He didn't need any help from us. He is smart as hell. And it went on. "Make large grants, don't make small grants, and don't do any of these"—you don't want to do these $10,000 and $25,000 grants. You are not going to have any impact with that. Because he is a real mischief, he goes, "Well, what am I going to do with all my former girlfriends?" And Marion's response, [snaps fingers] instantaneous. She goes, "Well, what we'll do is we'll set up a former girlfriends slush fund."

So that's how I'm answering your question.

09-01:23:04
Meeker: All right. I promise I won't make any Anthony Weiner jokes.

Okay. Let's talk about your interest in funding for health. We have previously discussed Marion's health problems, particularly her asthma, and then the secondary health problems that came from medication as a result of that.

09-01:23:31
Sandler: And migraine.

09-01:23:33
Meeker: And migraine as well.

09-01:23:33
Sandler: She had chronic migraine as well.

09-01:23:36
Meeker: And so naturally, this would be an area of interest for you. How did you get into the space? What kind of research did you do?

09-01:23:48
Sandler: Actually, we got into three things at the same time. Gerson Bakar, who passed away recently, had invited us to dinner at his apartment with then-Chancellor Joe Martin, of UCSF. Obviously, it was one of these things that was planned. But we were fresh meat for him to go after, and we did have a subsequent meeting with him which was very interesting. He was making all these suggestions about things that we could participate in, mostly relating to cancer and heart, and this, that, and the other, but it didn't feel to us that that was the kind of thing that was meaningful to us.

So Marion asked him a question: "Do you have anything that's more edgy? More innovative? Higher risk? Bigger results?" And he says, "Well, yeah. We

have the Discovery Fund." Marion said, "Well, when did you start that?" He said, "Four years ago." She said, "How much have you raised?" He said, "Zero." So what this plan was, was it was for basic science, innovative, high-risk kind of stuff, lots of failures but big scores when you score. That interested us, but we didn't know very much about basic science. Keep that in mind. Hold that thought.

At the same time, we had an interest in asthma because of Marion's severe asthma. She didn't have minor asthma, she had very severe asthma. She was on steroids ever since she got it, which was from her college days. So she was, at that point, forty-five, fifty years in it. As you know, they are extremely toxic. We started research on that. Then we traveled around the country, and we visited the major medical centers like Harvard and Johns Hopkins. Those places that we didn't get to physically, we spoke to the key people on the phone.

We were helped enormously by somebody by the name of Holly Smith, who had been prior chairman of medicine, who was actually the person largely responsible from causing UCSF which was a fourth-rated institutions to be probably the number-one-rated institution in the country. An amazing performance on his part. Actually, I learned about Holly Smith's creation of UCSF as a super place to be not from Holly—he never told us about it—but from these other people who said, "You know about Holly Smith and what he accomplished at UCSF?" "No, what do you mean?" And they explained how he had catalyzed this incredible change.

So we were discussing basic science, and we were discussing asthma. Then we hit the books, and particularly in basic science, which was really new to us. In asthma, the most important thing that took place was to learn the number of people affected by asthma, which at that time was about 23 million to 25 million Americans, about 300 million worldwide, and the disproportionate impact asthma had on children in inner cities, particularly children of color. We knew enough about science to know nothing was going to be developed that we would be working on that would have an impact in Marion's lifetime. But because it affected poor kids, it fit within the golden thread that tied most of what we worked on together.

So that's why we did the research on asthma. It had really nothing to do with Marion. We were just interested because she had it, but when we found out the impact on poor kids, that hooked us. We did a lot of research on that, and we did an enormous amount of research on what basic science is all about, why do people not fund it, how important is it. There is a lot of literature in the area. Most people know nothing about it, nothing.

09-01:28:31

Meeker: "Basic science" as opposed to applied science, or—

09-01:28:33
Sandler: Yes. Working on the cell, on core issues of life. A good example I always like is Mike Bishop and Harold Varmus in 1989 won the Nobel for the discovery of oncogenes. Oncogenes turned out to be the gateway to much significant research on cancer, and the beginning of answering the questions of life and on cancer. What was Bishop and Varmus doing when they discovered oncogenes? Were they studying cancer issues? No. They were curious about the issue of viruses in chickens. Cellular kinds of stuff they were asking. And out of that came one of the most important discoveries of the last fifty years. That's typical, not atypical. Most people don't understand that. Everybody thinks they were doing research on cancer. They're barely looking at anything on cancer. So that's the kind of stuff we were interested in. Take the heart, for example. Approximately 50 percent of the tools we use now to save lives and deal with heart problems and prolong life did not come from study on the heart. They came from basic research, basic science. Most people don't know that.

So after all this research, we came back, and we then had conversations on asthma and on basic science. Out of that came PBBR, Program for Breakthrough Biological Science, which is incredibly impactful, and a national program of grants in science for asthma, which was called the American Asthma Foundation, and a third initiative, which is located in UCSF, called SABRE, which was intensive research on basic questions on asthma there.

09-01:31:13
Meeker: The Sandler Asthma Basic Research Center?

09-01:31:15
Sandler: Right.

09-01:31:18
Meeker: Which, just as a parenthetical, we don't see your name on a lot of these things right?

09-01:31:26
Sandler: Incidentally, anything that has the name of "Sandler," we didn't give it. They named it. We didn't tell them—

09-01:31:32
Meeker: It was not part of the grant?

09-01:31:35
Sandler: No. No. The only grant we gave where our name was on it, and that was when Marion was very ill and I wanted it for Marion, was something we did for neuroscience. That's the only time we asked for it, and I was able to take her to see it.

09-01:31:52
Meeker: It's the Sandler Neuroscience building at Mission Bay?

09-01:31:55
Sandler: Yeah. That was the only time. Other than that, we never named those things.

You mentioned before we started this interview that you watched the fifteenth anniversary. There was a mistake in there. You had to find that out, because that was very exciting. What had happened was I am dealing here with the metrics, not the qualitative issues, but on the metrics, out of an investment of $70 million—$50 million from the Sandler Foundation and $20 million from people who were matching our challenge grants—that we were told the results were 1,500 peer-reviewed publications in the top journals, sixty patents awarded or in process, and $500 million in additional grants based on the research we funded. That's an incredible leverage, $70 million to $500 million, and in my comments, I said, "The difference between Marion and me is I would have said, 'When you tell me it's a little more than $500 million, you mean 505 or 510? Marion would have said, 'Why not a billion?'"

So that was all passed; it got a little giggle at the time. It turned out that the person who was doing the calculation made a gross error and left a whole bunch of stuff out. In fact, it was a billion. So the $85 million resulted in $1.37 billion [2018 figures] in grants from NIH and other grantors, plus $320 million in what's called "indirects," or $1.69 billion for an investment of $85 million. Putting aside the issue of the quality and the breakthroughs that were made, instead of the 1,500 peer reviewed, there was 2,770, and I think the patents were the same.

09-01:34:12
Meeker: So when Chancellor Martin was talking to you and telling you about this discovery program that becomes PBBR—

09-01:34:20
Sandler: We didn't know anything about it.

09-01:34:21
Meeker: Was it explained to you that this was, again, a venture capital sort of idea—

09-01:34:28
Sandler: Yeah. It was high risk.

09-01:34:30
Meeker: —where, high risk, you are investing in basic science? Then the idea is that clearly, that's not going to result in any immediate applied discovery.

09-01:34:39
Sandler: No. Oh, no. It's way in the future. Way in the future. The beneficiaries may not be born yet, because this is what is life? How does it work? What are the signaling mechanisms that are going on? Why do I have lots of squamous and basal cell cancers in my head, all over my face? Why? Why does my daughter have a brain tumor? Why does McCain have a brain tumor? What little mutation took place? When you understand those issues and issues like it, it's

the beginning of understanding of life, and how to prolong healthy life for a more satisfactory life existence.

09-01:35:27
Meeker: there was an interesting part of that video, the conversation, the thing that was moderated by [Michael] Krasny, and I'm trying to remember whoever the Nobelist—

09-01:35:37
Sandler: Al Gilman.

09-01:35:37
Meeker: Gilman, that's right.

09-01:35:39
Sandler: Fantastic person.

09-01:35:40
Meeker: Well, and he was talking about sort of the unintended consequences of the tenure system, so that med students and researchers, biologists, they are working on things that they can show for tenure, which is typically more applied approaches, less basic science. How did this program entice promising young researchers to work on more basic science issues rather than go in the safer route?

09-01:36:18
Sandler: Because our criteria was how innovative, how risky. Al Gilman's line used to be he was looking for the wild hare idea, off the wall. What are you thinking about when you are showering in the morning if you are a young, brilliant scientist? We never made a direct order, but our bias was young people, innovative.

There's another wonderful story. We had something called the UCSF—and they ended up calling it the "UCSF Sandler Fellow," and Joe DeRisi was the first person. I remember very clearly at the dinner we had on our first year review, it was announced that our first fellow—which I'll explain in a minute—is Joe DeRisi. Paul Berg, a Nobelist from Stanford who was on our board, and who had been a professor of his, said, "UCSF will never be the same." Well, Joe DeRisi is a superstar. He is absolutely off-the-page brilliant, and has had a brilliant career. We gave him a—I can't remember the amount of money; something like $250,000 a year for five years. He had no obligations to do anything. Just spend it any way he wanted. We gave him a lab and the equipment, and "Do what you want."

Well, he was so successful that we institutionalized that, and we now have a new fellow every year, so we have five going every year. They are superstars. We get the best kids. That's the dream for anybody coming out of medical school: I am getting money and I don't have to do any administrative work, you don't have to do any department work. I can work by myself. I could talk

to anybody I want. And out of this has come this incredible initiative—where everybody wants to be with these kids.

Now, what's Joe's career? He subsequently got another grant from our asthma program to sequence all the known viruses in the world, which are about 26,000. It's on a chip about this size, 26,000 viruses. Nobody thought he could do it, but he did do it. And X years later, what happened? SARS epidemic came about, and I don't know if you remember this, but nobody knew what was causing the SARS. People had all their thoughts and theories about it, and they were all wrong. Finally, Joe was able to get a sample of the SARS virus, put it on his chip, and within a couple of hours, determined that it was a coronavirus. At that point, that was the beginning of the end of SARS, because we now knew what it was, and we knew how to deal with it. Huh! Kind of big deal. So he works on malaria, he works on all of these different things.

Recently, we have had something which is maybe almost the most exciting of all, and that is what they call the Center for Next-Generation [Precision Medicine] Diagnostics. I don't know if you have read anything about this. It's actually an amazing thing. Did you read about this fourteen-year-old boy—should I talk about it?

09-01:39:39
Meeker: Talk about it. Yeah, yeah, yeah.

09-01:39:40
Sandler: There's a fourteen-year-old boy in Wisconsin. His temperature's going through the roof. They have tested him for everything in the world that he might have, everything comes up negative. They can't determine what it is. His brain is exploding. They are drilling into the skull, opening it up to ease the pressure, but they have nothing else they can do. And there is a chance conversation his doctor is having with Joe, who he was working with on some project. He was telling Joe the problem, and Joe said, "Well, we are trying something new here. Why don't you send me a sample of his spinal tap, et cetera, and blood?" What they was working on was something which sequences all the DNA and RNA in your system, and it tells you everything that's there. So it's like this big pile of glop, and someplace in there, there is something in there that shouldn't be there.

Well, within about twenty-four hours, they identified it as a very rare bug, pathogen that he picked up on a trip a year earlier from Puerto Rico. The saving grace was once they identified the bug, it happens to be incredibly responsive to penicillin. So the minute they did that, called back, they gave him penicillin. The kid was up and around in a couple of days, and he is in full health now.

But the big thing is, what is it they developed? What they developed is this system of rapidly sequencing the DNA, and it's particularly focused initially on encephalitis and meningitis, which are very, very hard to diagnose, and frequently end in death. One of the peculiarities of it: even if you can narrow it down with the usual tools of trying to find out what it is, there is a problem, because it could be caused by a pathogen, or it could be caused by an autoimmune response. And if you think it's a pathogen and you treat for that and it turns out to be an autoimmune issue, you are going to increase the likelihood of his or her dying, because what's good for the pathogen is terrible for the autoimmune, and vice versa. So you have fifty-fifty chance when you think you know what it is, but you don't know what the source of it is. UCSF is now a center, a certified center—we have gone through all the requirements. There was a big announcement. I got something in the mail. Bear with me a second. I get a note from Sam Hawgood. It said, "Herb, on our webpage today"—and he gives me a couple of things to look at, and he says, "It would not have been possible without your critical support," because they had no funding for it. Nobody understood it. It was too high risk.

The way I found out about it. I was reading the *Times*. I read this story. DeRisi's name is mentioned. It looked incredibly interesting. I called Joe, and he told me the whole story. I said, "Joe, have you got funding?" He says, "No. We can't get funding for this thing." "So let's meet." Then I brought in a friend of mine, Bill Bowes, who recently died, who was much smarter than I am on science, and said, "Bill, am I crazy, or is this something fantastic that may change the world?" After he went and looked at it, he says, "No, you are on to something." Because what this can be is instead of doing 100 tests on you that's expensive—they spent hundreds of thousands on that kid—you can get for a couple thousand dollars, we'll do a run, and discover what your problem is.

It's a whole new approach to diagnosis. We are going to diagnose things that can't be diagnosed except with incredible cost, or incredible pain, or incredible problems, and we can do it—I think currently, it takes a week to do the whole thing, but I am sure they are going to get it down to two days, or one day. One test can distinguish among a vast range of infections. A genome sequencing test developed at UC San Francisco that can rapidly pinpoint the cause of a bacterial, viral, fungal, or parasitic infection from among a huge range of possibilities is now available to help physicians nationwide to diagnose mysterious causes of neurological infection in acutely ill patients. But there's hopefully the beginning. It's going to go to sepsis, it's going to go to pneumonia, and all kinds of other neurological diseases. It's the changing of the world. Holy cow!

09-01:44:31

Meeker: So it needs to be neurological diseases, because—

09-01:44:33
Sandler: No. Well, pneumonia isn't a neurological disease. Sepsis isn't a neurological—but the focus at the beginning is neurological because those are the ones that are so really hard to get without enormous tests.

09-01:44:46
Meeker: So they are starting with the most difficult and they are moving to the easier—

09-01:44:48
Sandler: Yeah.

[Side conversation deleted]

It's a dream. It's worth everything.

09-01:45:58
Meeker: Yeah. That's amazing.

09-01:45:00
Meeker: Twenty years from now? Holy cow.

09-01:45:06
Meeker: It's science fiction.

09-01:45:07
Sandler: It is. It is. And we played a part in it, in an odd way. I see a story in the *New York Times*, and I know the person.

09-01:45:16
Meeker: Tell me about the SABRE program, the asthma basic research—

09-01:45:19
Sandler: Well, the more interesting of the asthma programs was the AAF [American Asthma Foundation], because that was another thing that Marion did, another one of the things where she gets to the heart of it. At the time we were exploring the asthma issue, we looked back over fifty years, there had been no breakthroughs in asthma at all, in the treatment or cure. Why? So we gave that a lot of thought, spoke to a lot of people, and came upon a theory. I don't know if it's valid, but I'm pretty sure it is: that essentially the same people had been getting the grants for the same kind of work through the years, and they got all the NIH funding, which is the big funder of scientific research. They got all the NIH funding that was available, and they were generally the pulmonologists. So Marion's thought was, why don't we develop a program which will not go to anybody who has worked on asthma before, but will attract the greatest scientists in America to a field in which 25 million—a number that's increasing rapidly and affects poor kids the way it does—why don't we see if we can attract them?

So we developed a grant program for seniors of $250,000 a year for three years, with a possible expansion to five years, and for youngsters of $150,000

a year, also on the same basis. Nobody's ever done this before. Never happened. And everybody is very nervous. We had an all-star board of advisers, just some of the top scientists in the country, from all around the country, who agreed that they would participate in the experiment. They would be the selection committee. We put out the word, and then we waited for the applications. I remember getting a call from Bill Seaman, who was heading the program—two calls, actually. The first call was—jumping up and down—the applications were coming from the some of the top people in the country. There was a guy named Bob Lefkowitz from Duke who was an applicant, never worked in asthma before, and he is applying. Well, he subsequently won a Nobel. He is one of the superstars. We didn't know about the Nobel, but we knew he was a top person. They came from the top people from all different fields who had never worked on asthma before, and they were making all kinds of new, crazy ideas.

Have we really been totally successful? Have we come up with a cure? Have we come up with a macro treatment? We have had seven or eight drugs in clinical trials, which is amazing. I have been told that by people in the biochemistry world, that that just doesn't happen, particularly with a bunch of amateurs like us. But none of them made it all the way through. Some of them are still in the process, and some may make it through. Very rare when you get in clinical trials that you come out the other end and have a drug. But we have changed the whole world of research for asthma. It is now accepted that the best people in the world are going to be working on asthma. Before, nobody would touch the field. But now we have had Nobelists who have applied, and who we have turned down, which is very exciting. And so it's successful in that it's changed the way people look at the field, and their interest in the field, the number of people we have attracted to the field who are still in the field.

So it's been an exciting, not perfect—"perfect" would be if we came up with a medication that cured it. We haven't done that. We have some prospects, and there is one thing that is in the running that's really important psychologically for me, as well as generally. One of the applicants in recent years is somebody who is going to, in essence, reduce the toxicity of steroids. The way it's done is the effectiveness of the steroids you take has been increased so much that let's say Marion was taking eight to ten—what the heck did she take? I can't think of the name for the moment [Prednisone]. Whatever she was taking, the power has been increased by ten, so instead of having to take ten, she would only have to take one. That meant the toxicity, she would have the power of ten of what she was taking with the toxicity of only one. Which would have made a major change in her life, because it's a horrible thing to take steroids over the long term, and it clearly diminished her life.

09-01:50:29

Meeker: One thing that's interesting about this program—and it might be what you are talking about as far as the relative success of that—is—so with ProPublica, for

instance, you guys started this, and now you are not the major funder of it, or maybe you are still a major funder of it, but it's caught on. The American Asthma Foundation has run into some problems as far as getting additional—

09-01:00:58
Sandler: Hard to find funding for it. We worked very hard at it. It's one of our few failures. We failed to raise significant money. We raised some money, but not enough on an ongoing basis.

09-01:51:10
Meeker: What kind of problems do you run up against in doing that?

09-01:51:16
Sandler: I don't understand it. I really don't understand two things. I don't understand why it's so hard to get money for asthma, because there are so many asthmatics, but we worked very hard on it. Both Marion and I gave it a lot of attention. Steve gave it a lot of attention. We hired some people who had a good track record in fundraising. Just didn't seem to be able to crack the code in a way that you had to to keep the program going the way it was initially.

The other one I find difficult to understand is why there isn't a lot more money available for innovative, high-risk basic science. I do have the facetious answer, and that is you know people who have died of heart disease, you know people who have died of cancer, you don't know anybody who has died of basic research. It takes work. You have to be willing to do due diligence, and study the field, and understand it. I would have thought, around the country, you would have program after program. Al Gilman used to go crazy about that. He was a terrific human being, a great man, and it used to drive him crazy that we were the only ones.

09-01:52:41
Meeker: Here you are in a philanthropic foundation, yet you still do fundraising.

09-01:52:49
Sandler: Well, because you want to help them. You don't want to have a grantee dependent on one funder, one or two funders. First of all, you are putting them in a terrible position. You are putting them at enormous risk. You don't want that to happen. And we explained that to them. We want you to be broadly funded so that you can do this to us, and say, "Goodbye! We don't like you! You are a pain in the neck. I don't want to have to deal with you anymore." It's an exaggeration. We want them to be stable, have stable funding from large numbers of people. So we always help almost anybody we fund with their funding to increase the broadness of their support. They value that a lot, incidentally. It's very much appreciated. I think all the good foundations do that.

09-01:53:49
Meeker: Is the lack of interest in asthma funding because people see it as a manageable chronic condition and so—

09-01:53:55
Sandler: I have no idea. I have no idea. Marion really had all kinds of very good programs to attract people to it, worked with organizations around the country, and just was never able to crack the code on that one to raise—I got money from people, knowledgeable people, that we knew. And because we were involved and we were able to talk to them, and have our experts talk to them, they provided funding. But they were the same small number of people, and we wanted to have broader funding, because it's fairly expensive.

09-01:54:33
Meeker: I also saw a reference to one pretty substantial grant—well, a number of grants to Stanford, but a substantial one for something called the "Clinical Excellence Research Center?"

09-01:54:46
Sandler: Yeah. That's headed by somebody named Arnold Milstein, who is probably one of the leading thinkers in the field of costs. Just to give you a broad overview of it, you hear all this discussion of health care, and there is a real serious overlapping issue. I'm not sure that my numbers are up to date, but of the $3 trillion in healthcare costs which are spent per annum in America, most knowledgeable observers will tell you that $1 trillion is total waste. It comes out of our system of fee for services, for need of doctors who have you come in to be rechecked for things which are irrelevant and nothing can come out of, of excessive costs of prescriptions. ProPublica is doing a story series on waste in medical costs right now, which is devastating. The most recent article is about the fact that the life of drugs and medications is much longer, and that everybody throws away their drugs. They are afraid to take it after—that's a bunch of baloney. They found stuff is still good ten or fifteen and twenty years later. There's billions involved in that, incidentally, just to—

09-01:56:13
Meeker: Well, the American healthcare dollar buys so little compared to what happens around the world.

09-01:56:21
Sandler: One-tenth. It'll be one-tenth of what we pay because of the lobbying. I have talked about the corruption of our system, I believe, in some meaningful [way] here, in which the lobbies control the fact that we can't negotiate. This craziness and it's all bought for by money.

09-01:56:41
Meeker: So this is research into healthcare delivery systems and financing and everything?

09-01:56:45
Sandler: Yeah. Their methodology is to do studies about how you can change the methods of care to significantly reduce the cost of providing that care while improving the quality. He did something before he started this project with the workers at Boeing, I think, in Seattle, in which he took Boeing's fragile

population—people who are workers but who are not in good health and have many hospital visits—and he called it "ambulatory ICU." What it was is instead of the system as it exists, he took half the workforce and tried the new system, and half the workforce on the system that's current. On the new system, it involved intensive communication from these folks who are assigned to that. They call everybody, they call them regularly; they call and email each other back and forth. They come to the house to see how they set up to take their medications. They explain how to do it, they improve that method. A series of A, B, C things like that. What happened was a significant decrease in cost per capita, absenteeism down something like 56 percent, the satisfaction through the roof. People are happier with the situation.

So that was a very big thing for him in his life, and so the theme of that, of redesigning how you provide health care in a whole variety of areas at a lower cost, and hopefully superior results. It's hard to do because there are so many perverse incentives that many of us weren't aware of at the beginning. Hospitals aren't necessarily incented to do the low-cost process. In fact, there are perverse incentives that make it in their disinterest, frequently, to do that, both for doctors and for hospitals. I don't think we took that into account, but—they are achieving some goals, but whether they'll achieve what we had hoped for at the beginning is a problem. But the idea, the number hits me, of $1 trillion, so let's assume you can't achieve $1 trillion. Assume you did half of that: $500 billion. What a difference that would make in our economy if you took $500 billion of waste out, even. You have to buy off the interested parties.

09-01:59:33
Meeker: Well, and also given how much the government spends on health care that $500 billion could conceivably expand health care coverage for Americans.

09-01:59:44
Sandler: No. The point is to reduce health care costs and have the $500 billion go to other needed things. It's just many of these problems are solvable, but money and lobbying has a macro impact. First of all, we pay a lot more, and we do not have the best system. We are actually in the middle of the pack. There are many countries who have superior health results, longer life, better quality of living, for more of the population for much less money. So we all think that we are so exceptional. If we were exceptional, it would mean that we would look at ourselves honestly and figure out how to improve it, and not fall prey to the lobbyists and the interested parties.

09-02:00:31
Meeker: Yeah. Look, I think that we have the most MRI machines per capita of any country in the world, but are those all needed?

09-02:00:38
Sandler: Yeah. There are actually studies of that done by Atul Gawande in a number of his articles that speak to that issue of tracking why are the costs so much

greater in certain areas. Frequently, it's about doctors owning the MRIs, and they tend to do a lot more MRI references. Again, the same kind of issue.

09-02:00:58
Meeker: Back to the owners of S&Ls making loans to their own real estate—

09-02:01:07
Sandler: Yeah. Similar issues.

09-02:01:13
Meeker: Let's talk about ACLU. When did you start supporting them?

09-02:01:21
Sandler: I do remember, actually, because the current head of it is Anthony Romero, who took office one week before 9/11.

09-02:01:30
Meeker: Right. So you didn't support ACLU before then?

09-02:01:33
Sandler: Yes. Small amounts of money, as somebody who believed in the principles of the ACLU. We had a meeting which was organized by the then-head of the northern California ACLU with the head of the ACLU, Ira Glasser. I remember this meeting very clearly. Marion and I went to dinner with Dorothy Ehrlich, who was then the head of the northern California ACLU, and Ira, and it was really one of the more disappointing meetings, because we really were big fans of the ACLU, and he may have been a terrific guy, but it was like, "Hello, how are you?" And he proceeded to tell you how brilliant he was, and how effective he was, and how fantastic he was. That really is not the way to get to Herb and Marion, to have this unalloyed expression of your own personal ego. I never trust anybody with a super ego. So he may have been good, but we got off on the wrong foot, and so we didn't increase our giving.

Then Anthony Romero called us as a prospect, and we went to a dinner at some restaurant he picked. Then Marion and I were planning to walk to our hotel—we liked to walk a lot—and maybe thirty blocks or more. Anthony didn't stop talking, because the restaurant was very noisy and he was very hard to hear, so he was making his pitch to us as we walked. He walked us all the way back, all thirty blocks or whatever it was.

09-02:03:12
Meeker: So this was in Manhattan?

09-02:03:14
Sandler: In Manhattan, yeah. We were at the Grand Hyatt, and I can't remember where the restaurant was, but it was a good distance away. We would have walked it all the time anyway, but he just was there haranguing us all the way. Have you met him?

09-02:03:29
Meeker: Just over the phone.

09-02:03:30
Sandler: Yeah. He is extremely intelligent, he is extremely charismatic, incredibly motivated—a must-win kind of person. We then entered into more serious conversations, asking more pointed questions, and it's clear that he was a superstar, and somebody who could maximize the impact that the ACLU brings to the citizens of this country.

09-02:04:03
Meeker: How did he describe to you his vision for the ACLU, and how was that vision different from, perhaps, what it had been?

09-02:04:11
Sandler: Well, I really don't remember any of the conversations. I just remember that this was a serious person who had serious thoughts, was a little young—

09-02:04:27
Meeker: He was thirty-two, I think.

09-02:04:28
Sandler: —and needed some coaching. He had worked at the Ford Foundation and some other places; gone to Princeton, to Stanford Law School. He has Puerto Rican ancestry, poor parents—his father was a waiter. But he makes himself vulnerable. He is total open, doesn't hide anything. Established his credibility very quickly. This was a serious person who, to us, after a lot of conversation—like this is the kind of person we want to support. We already believed in what the ACLU was doing and the importance of what it was doing.

So we became, over the years, extremely close, and he is just a remarkable, effective human being. The ACLU, of course, with the Trump election, has just grown so much more. It grew during the [George Walker] Bush election, but it's grown even more astronomically during the first six months of the Trump administration, God help us.

09-02:05:45
Meeker: Well, an interesting context—you referenced it briefly—for your increased support is both Romero, but also 9/11, and all of the changes that followed that. Did that have any impact on—

09-02:06:02
Sandler: Not the action of 9/11, but the action of Bush's response. We thought Bush was essentially an amiable lightweight in a period which called for a more serious, thoughtful, intelligent person. The world would be a lot different had the Supreme Court not intervened. The likelihood that we would have attacked Iraq and all that followed from that, there may have been other mistakes that were made, but Gore, although he had weaknesses, was a far deeper, more thoughtful person who would not have relied on a Dick Cheney,

who was a total disaster. So yeah, that affected us, but not the 9/11 per se, but the reaction to 9/11, and the lies and the trickery that followed 9/11.

09-02:07:15
Meeker: Did you, in your conversations with Romero, see a particular role that the ACLU could play in response to that? What would be the most effective role for them to play?

09-02:07:28
Sandler: Well, I think it came up later, with Abu Ghraib and other incidents of torture, in which Guantanamo, Abu Ghraib, they played a significant role in that. What we had hoped for from him I think we got from him. He was terrific. I think we helped him a lot because he began to trust us as well, and trust our judgment. He was kind of blown away by Marion. He just thought she was off the page, and he would call frequently on issues, with dilemmas that he felt and wanted—and get our advice.

09-02:08:13
Meeker: What kind of dilemmas does a director of the ACLU encounter?

09-02:08:18
Sandler: Well, they have a very odd system with the way their board works with its affiliates; that's one problem.

09-02:08:25
Meeker: All right. So then national versus the local chapters that have a lot of independence?

09-02:08:29
Sandler: There are all kinds of issues with things like that. He has got another current issue right now which is going to become hot, and I think he is taking the right and the courageous stand. As you know, there is a boycott Israel movement, and there is legislation that was just proposed that would make people who supported that movement, who believed in that—and I think it's totally wrong, what the movement speaks to. But—would be subject to being convicted of a crime, of a felony, which would involve significant jail time for thought, and for saying things.

09-02:09:18
Meeker: Is this here in the United States?

09-02:09:20
Sandler: Here in the United States, within the last week.

09-02:08:23
Meeker: What is the legislation?

09-02:09:24
Sandler: So this is proposed by Senator Cardin, and with, I think, a whole bunch of Republican and Democratic senators. Anthony sent something to me on it, and

I saw it separately. I can send it to you if you like. It's kind of horrifying. It's a kind of thing where a lot of people are very much opposed to the boycott Israel thing, that movement, and I am opposed to it also. But to imprison people for speech or thought is a terrible mistake. UC Berkeley has just gone through that with Milo whatever his last name is and Ann Coulter. Freedom of speech is critical, and even though you don't like the speech—

09-02:10:19
Meeker: "Congress shall make no law… abridging the freedom of speech, or of the press."

09-02:10:24
Sandler: Yeah. But majority of the Senate has signed onto it.

09-02:10:29
Meeker: That's troubling.

09-02:10:29
Sandler: I think, however, ACLU has posed a series of questions to them, and they are saying, "No, I didn't realize that was in there. No, I didn't realize that." So I don't know what's going on now. I just saw the first piece of the announcement of the litigation.

09-02:10:43
Meeker: Well, this is a fascinating conversation, because it's one of these tricky things, right, where if you oppose this legislation, then it's going to appear that you support the boycott of Israel and therefore, you are anti-Semitic.

09-02:11:02
Sandler: That's the problem ACLU has to deal with. So let's go back to Skokie and the situation under prior—I think Aryeh Neier was the head of the ACLU at that time, when the Nazis wanted to march in Skokie. The ACLU lost a lot of its membership when the ACLU defended the rights of the Nazis to march. There is no other decision that could be made. You either believe in our system or you don't. If you don't that's a problem.

09-02:11:39
Meeker: The ACLU came down pretty strongly in support of Snowden and WikiLeaks.

09-02:11:46
Sandler: Yeah. I'm not sure, when you say, "And WikiLeaks"—

09-02:11:53
Meeker: Okay. Well, let's just keep it as "Snowden," then. Was that something that you were also in line with, or—

09-02:12:03
Sandler: Yeah. I was on the opposite side from most of—not "from most"—from many of my progressive friends. I just spoke with one of them the other day, who reminded me of our disagreement.

09-02:12:18
Meeker: What was your position on that?

09-02:12:20
Sandler: First, have you seen a movie called *Citizenfour*?

09-02:12:28
Meeker: I haven't seen it.

09-02:12:29
Sandler: Worth seeing, because it's really Snowden in a place which is clearly—and at a time when it's clear he's just answering questions, and it's factual—it's not made up—at the time it was taken and how it was taken. Essentially, he believed that the government was doing something that would be abhorrent to most Americans, and we didn't know about it. He knew from its treatment of—[Chelsea] Manning? Is that—

09-02:13:05
Meeker: Yeah.

09-02:13:06
Sandler: Manning, that the government was not rational on the subject because of the way they treated Manning, where they had him in a cell with twenty-four-hour watch, nude, and all of these things. So he left. He released the information. It's clear he also took out of there anything that could endanger anybody, unlike what WikiLeaks does. WikiLeaks publishes it with all the danger in there, and Snowden did not do that. Everything that he gave, he removed the stuff, or had it removed, or had it guaranteed it would be removed.

And I thought the ACLU was correct in its evaluation of the situation. My progressive friends felt that it was probably right of him to release it, but he should have stayed here to face the music. If the government had not demonstrated that their reaction to the release of the information was irrational but imprisoned him in the usual way, with the usual charges, without this special kind of terrible treatment, I would say that it's a good point to make. But I think one can want to do the right thing by letting Americans know what was going on. And incidentally, it's been stopped, as you know. The government has acted to make the changes that he was concerned about. So it's a question of facing the music, and I think he probably—my assessment of him would have been that he would have faced the music had there been a more rational response. So that's the disagreement.

You ought to watch *Citizenfour* because it's not a piece of crap like the stuff that Oliver Stone did. But it's a serious questioning, serious questions put to him in a serious way.

09-02:15:36
Meeker: One thing when I did my pre-interview with Mr. Romero that was pretty interesting—and I think that this is probably a question that Marion asked of

him—and thinking about evaluation, and I wouldn't quite say "scientific metrics," but more basic measures of whether the investment is worthwhile or not. And she would ask, "How do you know when you've had a successful year?" He said that was maybe the most profound and difficult question he had ever been asked. What were you getting at? Or was that a Marion question, first of all?

09-02:16:25
Sandler: It was. It was a Marion question. But it's interesting. Every year, he does, on his own, a report to us which talks about the successes and failures, where something didn't come out the way it should have, and where it did. It's kind of like a soul-baring thing, which he has done regularly.

09-02:16:50
Meeker: So kind of a personal letter to you?

09-02:16:50
Sandler: And that's actually the most important thing—yeah. It's the thing that I read most closely of anything, of all the reports, because he is talking from his soul about how he feels about how they are doing.

09-02:17:06
Meeker: Well, I am sure there is proprietary information in there that you are not interested in sharing, but can you think of any examples in that that were particularly surprising to you?

09-02:17:19
Sandler: I can't think offhand of it. I read it a few months ago, was the last one. I could look at it and study it if you want to—

09-02:17:31
Meeker: Maybe someday, those will become public, right?

09-02:17:33
Sandler: He is totally open.

09-02:17:34
Meeker: One other question about the ACLU. I think this had to do with civil liberties issues during the Bush administration, but you recommended working with Republicans, reaching across the aisle. Or he did, rather.

09-02:17:53
Sandler: He hired Bob Barr, who was somebody I couldn't stand, because he appeared a lot on the talk shows, and I found him to be thoroughly obnoxious. I can't remember what the issue was, but it was an issue that was important to the ACLU and people who believe in freedom of speech, and to assist him on that particular issue. He got some playback on that, and people say, "You are hiring the enemy. You are hiring people who are terrible people, usually on the other side." Of course, what Anthony was concerned about was he can help us achieve a goal about which we all agree, and the fact that you don't

like him becomes irrelevant if we otherwise could not achieve that goal without his assistance. He happens to agree with us on this issue, and we should retain him to help us achieve it. I felt that was a rational decision.

It gets to be a close question, for example, when you deal with the Koch brothers participating, because the Koch brothers [Charles G. Koch and David H. Koch] have such a philosophical approach to what they want to achieve, and let's assume they are going to help you on a particular issue. The question you have to ask yourself is, is their help and the benefits that accrue from that help worth more than the possible negatives we'll get because the Koch brothers will make themselves appear to be much more reasonable than most people would, and they will then have a benefit and strengthen their position on a whole bunch of other issues? So it's a question of analyzing what follows, and it could be here's the good, and here's the bad, and where does it weigh more heavily? You can break it down into its component parts.

I don't think that existed with Barr. Barr was what he was. He was an individual. He was able to help on that issue. I think he was helpful, if I recall. I wish I could remember the issue, but I remember I was very—I defended him very much, and I offered to talk to anybody who was on the other side.

09-02:20:25

Meeker: For most of its history, ACLU focused on free speech, civil liberties. That's not necessarily a left or a right issue; it's not necessarily a Democrat or a Republican issue. Do you worry that the organization could veer too much into progressivism, which—

09-02:20:48

Sandler: It's interesting, because I'm opposed to the ACLU on one issue. Their extreme position on freedom of speech has entered into the issue of campaign finance reform, and the Supreme Court decisions which have inhibited campaign finance reform depend on an extreme view of freedom of speech, in which essentially they are saying—I say that freedom of speech is important, but to the extent it enhances the corruption that exists, we have to do a balancing of that, and therefore some constraints are appropriate. Like billionaires shouldn't be permitted to spend as much money as they want on politics, because they so skew the odds of the result.

ACLU in the past has had an extreme position, and that extreme position is actually one of the most important things protecting the extreme right wing. So there is virtually nothing that the ACLU can do which would detract from the power that the ACLU's emphasis on free speech has given to the right wing, because can you imagine what the country would be like if we could put legitimate constraints on the expenditures? If we could have public financing of that? That would so change the odds of having all these wealthy plutocrats in this country control the political system, which they do control, and would even the odds. Because of this extreme view of freedom of speech. What do

you mean that corporations are people and they have freedom of speech, and they can spend whatever they want? That's crazy.

So any time anybody would raise the issue that, gee, they seem to be leaning on the left side, A) that's not what the case is, because they are focused on their issues, but remember, if you are going to take away any of that, you have to take away all the goodies you are getting from that.

09-02:23:22
Meeker: Interesting. That's a good response.

[Conversation deleted]

09-02:23:48
Sandler: You were going to ask—

09-02:23:51
Meeker: Is there anything else you would like to add about the ACLU, actually, before we move on?

09-02:23:55
Sandler: Not really, no. You might want to interview him, because he is just such an interesting character.

09-02:24:02
Meeker: Right. Yeah, I think it would be a fascinating interview, frankly.

09-02:24:06
Sandler: He is a kick.

09-02:24:07
Meeker: Well, let's wrap up today by talking about the Center for Responsible Lending. This is an interesting continuity between your work in the savings and loan industry and your work in philanthropy.

09-02:24:26
Sandler: Yeah. So what we saw is the outrages of predatory lending, which essentially were designed—they were business plans designed to screw poor people, people who were functionally illiterate, or who don't know how to understand what's presented to them and what their options are. It was a source of outrage to me and to others at our company. If you looked at that and say, "How can they sleep at night, with what they are doing?"

09-02:25:03
Meeker: What are some of the examples of things that they were doing?

09-02:25:05
Sandler: Oh, why should somebody pay 6 percent and somebody else who has an equal ability to make the payments pay 9.5 percent, or 10 percent? We never had something called "risk-based pricing." We made that as a philosophic

principle. We didn't think that Bill Gates should get a lower rate of interest on a loan we might make to him than Joe Schmoe in West Oakland who has made all of the payments on everything he has ever had all of his life on time, as good as Bill Gates has, with much less backing, of course. It just philosophically bothered me that somebody who actually should have a lower interest rate because they needed help should pay a much higher interest. It just galled us.

I think we were subject to attack by shareholders for saying we are not doing the best for our people. On the other hand, it was risk-based pricing which led to the disaster of the 2000-year period, in which all of the growth of subprime lending was based upon risk-based pricing. We always were worried somebody was going to attack us for our failure to do risk-based pricing, but nobody ever did. But when we saw what happened in the 2000s, we looked at it and said, "Thank God we never did that!" kind of thing.

09-02:26:37

Meeker: Well, of course, later on, people attacked you for doing it even though you didn't.

09-02:26:41

Sandler: Yeah. That's a different issue, though, but we felt clean. We knew that we had done the right thing. And payday lending, and overdraft protection.

We saw there was an entity in North Carolina headed by a guy named Martin Eakes, E-A-K-E-S, who seemed to be very effective in North Carolina, and he did some work in Georgia as well. My problem was that there was no important national organization that was doing this on a national level. We were prepared to fund somebody to do that, and we were going to put out on RFP—a request for a proposal—but the more we thought about it, it became clearer to us that the only one we knew who we really felt had the drive and the passion to take on the issue was Eakes and his group. They were running a credit union in North Carolina. So we approached him, and we ended up visiting him in North Carolina, and spending a couple of days there. We thought he was probably one of the most impressive individuals we had ever met. He is a Yale Law School graduate; has a total passion on the plight of poor people, especially poor people of color. Totally passionate and driven. Incredibly decent, incredibly intelligent, incredibly committed, and a driver for achievement. Our kind of guy.

So we entered into an arrangement with him. We were the only funder at the beginning. Something funny did happen, in that I called around to a number of friends I have at other foundations, and I told them what I was doing. They said, "That's terrific." I said, "I'm not asking you for a lot of money. I would just like to have your name in the announcements so that they could see it's not just us. Could you send $25,000?" And everybody did except the MacArthur Foundation, who sent, if I recall correctly, $500,000. I almost

fainted when I saw the check. It turns out they knew Martin intimately. He had received one of their Genius awards, and they were happy to support him in this endeavor, when it was really an extreme—I can't remember whether it was $500,000 or $350,000, but it was significantly more than what I asked for, and I really did a double-take when I saw that, and very much appreciated.

And he has turned out to be incredible. He is the most significant player in that arena. An enormous amount of impact.

09-02:29:58
Meeker: Can you talk about some of the impact you think that the organization has had?

09-02:30:01
Sandler: Oh, God. Oh. He has changed the lending practices of many of the banks in the country.

09-02:30:09
Meeker: In what ways?

09-02:30:10
Sandler: In stopping the screwing of poor people. God, I can't even—

09-02:30:21
Meeker: Well, so for instance, risk-based lending—

09-02:30:22
Sandler: Of course, he's driving the payday lenders out of business in state after state.

09-02:30:29
Meeker: What is the process of that? How does he do that?

09-02:30:32
Sandler: They get ballot initiatives, and they win them. Even though our budget is a tenth or a fiftieth of what the budget of the payday lenders are. He is their number one enemy. Any bad press you see on me has two sources. One is the extreme right wing, people like William Mellon Scaife. And another is from the payday lenders. They curse me, and they curse Martin. Martin used to send it to me. It was terrible. You wouldn't believe the vile things that they accused me of. If I stopped supporting Martin, it would stop in a nanosecond. And he gets attacked because of his connection with me.

So, payday lending. We are not winning the battle on the check overdraft outrage, but that fight is continuing.

09-02:31:38
Meeker: What is that battle?

09-02:31:40
Sandler: Well, payday lenders, you know how that works?

09-02:31:44
Meeker: Describe it.

09-02:31:44
Sandler: They charge you about 400 percent. You go in, and you give them a check dated in advance, and they charge about 400 percent or more, or slightly less. What happens is many people get ensnared in that, and they end up paying for the rest of their lives. In other words, they are driven under. Biggest mistake they could make.

Well, and overcharge. In the old days, all of us in the financial industry had people who would overdraft from time to time, and we would frequently make an accommodation for them, make the check good, frequently. They might pay a small fee, or nothing at all. At some point, somebody figured out that could be a profit center. One company in particular that was very aggressive with it was Washington Mutual. If you were here in California, you would see their ads: "Free checking." It really wasn't free checking, it was "fee checking"—take out the R. The purpose of calling it "free checking" is to attract a lot of lower-income folks, who are more prone to overdraft. The fees were $25, $30; they are probably about $35 now. Well, when you calculate the APR, the annualized rate on that, depending on the size of the overdraft, you might be paying the equivalent of 1,000, 2000, or 5,000 percent per annum if you annualized it. They are even worse than the payday lenders.

Some of the banks also played little tricks. What they would do is the order of checks in which they would make the payment for you, they would start with the largest check first. Now, let's discuss what that means. If I took the smaller check first, I would probably be able to pay all of the overdrafted checks things and have only one overcharge on the large one. But by doing the large one first, I might have eight or nine overdrafts on that day, because I didn't have any money left after I paid the big one. They would pay the overdraft protection on nine—making this up, of course.

09-02:34:17
Meeker: And oftentimes, the first overdraft is $25, but then it goes up from there?

09-02:34:21
Sandler: No, don't have to worry about that. Whether it's nine or it's—it doesn't make any difference. But they would say, "Well, we want to protect you, because the most important payment is the large one." But that's baloney because they were going to make all the payments in any event, because they wanted the charge, but by paying the large one first, they would get the most number of overcharges. So it was a planned screwing of a certain kind of customer. It's a total outrage, and the regulators have been terrible in protecting people from it.

So that, payday lending, and the predatory lending of how people get screwed by paying much higher interest than they have to, being targeted, and so forth, and so on. Martin has been a hero, just an incredible, great person, and his

team is terrific. They are also very important in advocating for changes. Many of the good changes that have come about in the law and the regulations have emanated—they do enormous amount of intensive research, and they are just a fantastic operation. It thrills me. We were the only funder at the beginning, and we finally pushed them to diversify their funding, and they have got a lot of—now in a much better position. We are still giving a little more than we should be, but they are increasing their funding from others.

09-02:35:49
Meeker: It sounds like they attempt to use legislation and the law in order to prevent these unscrupulous practices from taking place. Do they also try to develop new solutions that recognize the kind of risk that corporations take on by—because there is a risk. Consumers are not always innocent.

09-02:36:19
Sandler: No.

09-02:36:20
Meeker: And so how do, then, corporations protect themselves from extreme risk by malfeasance on the consumer side of things?

09-02:00:29
Sandler: Well, I think, first of all the corporations have enough help on that end. How many lawyers do you think there are at Bank of America, Wells Fargo, Citicorp? Hundreds. Hundreds.

09-02:36:43
Meeker: But I guess I am wondering does the Center for Responsible Lending come up with replacement ideas that are—

09-02:36:50
Sandler: Yeah. No, they are very creative. They have, actually, extremely close relationships with some of the banks they attack, because they are intelligent, they are rational. They may ultimately not agree on something, but frequently, they can achieve agreement. They work together.

Do I have Martin on the list [of people to interview]? I may not have him on the list, but if you want to meet an unusual character, he is it. I have seen him give a talk in which there were several hundred young people in the audience, and he doesn't yell or scream; he talks quietly, but his sincerity and his credibility and his belief system is so powerful that I thought when he stopped the talk, that they were going to charge through this brick wall and make a hole in it as they went to the other side. They were just so energized by this passionate but not loud—you know, doing all the hot words—just talking from his heart about life and what it's like for people who are discriminated against, or who are poor. It just moves you. He is a great character. A great human being.

09-02:38:09
Meeker: Anything else you would like to say about the Center for Responsible Lending?

09-02:38:13
Sandler: No. Just a great organization. They are still fantastic. They were fantastic, they have been fantastic, and they will be fantastic. And they have got a great team.

09-02:38:23
Meeker: Just kind of a broad question, since you and Marion have been so focused on leadership. Leaders can't stay around forever, for actuarial reasons. [laughs]

09-02:38:41
Sandler: That's one of the things we push for. Remember we say in our approach, we talk about, "We are macro-managers," "We ask the big questions?" We are a royal pain in the butt because we are always talking about succession planning. Actually, we have had two places where we have had succession. We started ProPublica with Paul Steiger. Paul's essentially almost fully retired. He is part time. The next generation is running it, and we discussed with them—and the board; the board discussed this with them—succession planning, who succeeds them. We think we have got the succession for one of the two top people, and we may have a person identified for the other one. If not, we have to work on that. The Center for American Progress, so it was started by Podesta. He has retired from that position. There is somebody else running that now, and she is a ball of fire, and full of energy. She is running it, and the budget's much bigger.

I think those are the two big ones where we have had succession. Yeah. Well, Human Rights Watch had a succession. To fill Ken's shoes is going to be very difficult. ACLU, of course, we are very anxious. Anthony is going to retire at some point, even though still a young man, but he has been in that job for a very long time. The sciences, not so much, because the science, you have got great institutions, and a superstar—Joe DeRisi today, in addition to all these accomplishments, in the Chan Zimmerman money for funding, he—which he calls the "Chan Zuckerberg Initiative," which is at UCSF, Stanford, and UC Berkeley. Joe, young Joe, whom I have known since he is a child almost, the way I think of him—he is in charge of the UCSF operation. I think there is $600 million involved in that, between that, Stanford, and UC Berkeley. He is incredible. Here he was, a kid getting some money to be a fellow, and now he has got multiples of the money we give to pick his own fellows, which he is doing.

09-02:41:33
Meeker: Actually, one final question today, and it is also a bit about governance. I was looking through all of these organizations—the ones that you have been supporting for many years—and I think I saw a "Sandler, Susan" on the board of one of them. I can't quite remember which one.

09-02:41:51
Sandler: Learning Policy Institute?

09-02:41:52
Meeker: Possibly, yeah.

09-02:41:53
Sandler: She has been on that. She is on the Center for American Progress board and—

09-02:41:56
Meeker: Maybe it is CAP. Did you take any board positions for any of these nonprofits?

09-02:42:08
Sandler: I typically stayed off the board. However, having said that, I have been to virtually every CAP board meeting since it started, but Marion was on the board, and then she was succeeded by Susan. I don't know. For some reason, I don't want to be an official member of a board. I don't have a rational explanation for it. I just want to help them in any way I can to achieve the most they can for the people they can affect.

09-02:42:46
Meeker: And that sentiment extends to other organizations, too?

09-02:42:50
Sandler: I'm totally involved with Center for American Progress, totally involved with Center for Responsible Lending. I'm not nearly as involved, although somewhat involved, on Learning Policy Institute, very involved in—oh! I was the chairman of ProPublica, and I am on the board now. I was forced into that. I didn't want to go on the board, but Steiger insisted on it. I did go on the board, and they tried to stop me from resigning as chair, but Steve helped me, and pointed out that I would be the same person as I was if I wasn't the chair. My point was I wanted to have somebody else get in while I'm still around. My actuarial life is a couple of years at most, so I wanted to have somebody excellent there. We had a terrific person on our board who succeeded me, and much smarter than I am, and much more knowledgeable than I am. A terrific person. I'm not on the board of Washington Center for Equitable Growth. I'm looking at some of the biggees here, but we talk to them all the time and Steve is very, very involved with them.

And Center on Budget Policy Priorities, we are not on the board, but Steve—we are going to talk about that later, I assume, because there are fascinating stories about that, which exemplify what a knowledgeable, sophisticated funder can bring to an institution under the heading of "macro-managing." It'll explain our objectives better than anything. That, and the ACLU. Steve has played a big role in helping the ACLU on their expansion of their affiliates, because at the time they were going to do it, but we talked about it; Steve had a lot of suggestions and ideas. They listened to him, they made the changes, and they said, "My God, this is significantly superior." They actually have an article about what they did, and they mentioned the foundation, which is really Steve, because he gets the credit for it. Made it far more successful than it would have been. Real value added. It's one of the first couple of stories under "media" on the foundation web site. You'll see it refers to the

ACLU. Actually, Steve suggested that they publish an article, because what they talked about is a major initiative of expanding their affiliate program, and what the issues were, and how it worked, and what didn't work. It was published by the Stanford on inno—what's the—*Policy on Innovation* [*Stanford Social Innovation Review*]? And it's a terrific story.

But the Center for Budget and Policy Priorities exemplifies everything we dream about when we talked about adding value: that we do something, and suggest something that ends up making the entity materially, geometrically more powerful and impactful. And that's really exciting.

09-02:45:59
Meeker: Well, let's stop there for today, okay?

09-02:46:01
Sandler: Okay.

Interview 10: August 04, 2017

10-00:01:02

Meeker: Today is August 4, 2017. This is Martin Meeker interviewing Herb Sandler, and we are here at the offices of the Sandler Foundation in San Francisco. This is interview session number ten.

Let's begin today, and let's try to wrap up the Golden West Financial story. We are roughly covering the period 2001 to 2006. We did in a previous conversation talk a bit about some of the underpinnings of the financial crisis that really hits the United States in 2008 and beyond, but we'll want to touch on that again. But I want to back up a little bit, and I don't actually even know—your answer to this could just be "no impact whatsoever"—but as historians, we are always very interested in watershed moments in history, and there is a question: was September eleventh such a moment, and if so, what was the impact on the business that you were in with Golden West, if any? Because it actually wasn't mentioned in the annual report. That's the reason I brought it up. It's like a lacuna.

10-00:02:32

Sandler: I can't remember why it wasn't in the annual report. Clearly, it was a significant moment, and I suspect we probably discussed whether it should be in it or not. But there was no macro effect on the financial industry. Everybody obviously was fearful and concerned and troubled. The significance of 9/11 went far beyond the issues in running a financial institution, but it did create uncertainty and concern there. But again, the issues are macro issues, and we have been living through that ever since. But it did not, to the best of my recollection, have any macro impact on the financial industry on an ongoing basis.

10-00:03:40

Meeker: Did it have any immediate impact? Did loans stop for the first month or something?

10-00:03:44

Sandler: There was uncertainty, I am sure. But I actually don't recall. I knew you were going to ask that question, and I went back to look at our annual report. The fact that we didn't discuss it would make it clear that it had no real impact. Concerns, but I wasn't, frankly, thinking of the company at that time. I was thinking of far larger issues. I actually was on a plane coming back from meetings in New York and our plane was forced down. We could see the Trade Center on fire. The pilots pointed it out, that there was something going on, and they didn't know. Then there was a call to all planes to immediately land. And so Marion and I ended up in Columbus, Ohio, for five days because no planes were permitted in the air during that period of time. So it was a very signal event in terms of the deaths and the horror. But in terms of our company and writing about our company, I don't recall it having any significant impact. My memory may be wrong, but that's my recollection.

10-00:05:15
Meeker: Well, you had mentioned some broader societal impacts. How did you start to see those emerge?

10-00:05:27
Sandler: Well, obviously, what happened after that, as you know, as the information came in, I thought the policy of the United States—unlike Trump, I actually opposed what took place in Iraq. I don't know that you want to get into all the reasons for that, but my mind goes back to that period, and I think the world would be in a much better place today had the Supreme Court not—in my opinion—inappropriately interrupted the recount, which would have been likely to have resulted in a victory for Gore. I don't believe Gore would have taken the steps that [George Walker] Bush did, which has led to much of the problems in the world today.

10-00:06:24
Meeker: Yeah. It is quite interesting when you run a counterfactual scenario in that case. If actions were taken only in Afghanistan but not extended to what he called "the Axis of Evil," which included Iraq.

10-00:06:39
Sandler: It was based on a tissue of lies.

10-00:06:41
Meeker: Right. We all remember the testimonies.

10-00:06:44
Sandler: That's why the tissue of lies that we are encountering today in the Trump administration are even more terrifying, because he has even less constraint than Cheney had during that period.

10-00:07:00
Meeker: Can you tell me a little bit about the transformation of the mortgage market during this era, with the rise of private securitization of mortgage-backed securities?

10-00:07:10
Sandler: This had existed for many years, so don't be fooled. Securitization went back twenty or thirty years. The fathers of securitization were Lew Ranieri at Salomon Brothers and Larry Fink at Credit Suisse, First Boston. They were the leaders in what became this enormous movement to securitize mortgages, package them, and sell them. What took place in late 1990s and particularly in the early 2000s were an exhibition of greed that is hard to believe in retrospect, and the creation or the—not the "creation"; they existed before—but the desire for exponential growth of subprime lenders who saw what they felt was an opportunity. The good interpretation would be, well, there are a lot of people who should be getting loans and they are not under the current system. But what was really going on was an opportunity to screw up the lives of many people and throw the country into what is a mini-depression at the least by this incredible bastardization of the adjustable-rate mortgage. It gave them

an opportunity by mispricing to create enormous volume of loans, most of which should not have been made.

That subprime market trickled over into the prime market, and one of the failures that I would have in looking at myself is I saw what was going on and talked about it, gave speeches about it, complained to regulators about it, talked to the newspapers about it, but I never saw—had I been wiser—the opportunity that the folks who were the prime players in that movie *The Big Short* saw. They were outside the system, they saw what I saw, but they made a connection that I hadn't made: namely, that the insane lending practices of some institutions were going to take the entire market down. I always thought it was going to be those companies that entered into those practices would disappear, but the regular market would not be impacted.

10-00:10:17
Meeker: Which would have been similar to what happened in the S&L crisis of the eighties.

10-00:10:20
Sandler: That's a good example, yeah. It was hard for the good guys to compete against irrational players, but if you tended to business, you could get through that, and survive, and do well. Here, they took the entire market down. There are areas in which we were lending and had loaned for many years which had a decline in values of 50 to 70 percent. I've never seen that before in history, ever. I mean, when we made our simulations about risk, and we were extremely conservative, and so we ran typical scenarios of flat value, increase in value, and we ran decreases as much as 10 or 15 percent, which would have been very, very rare historically. And to find yourself in a situation in which all the values have declined 50 to 70 percent—

10-00:11:29
Meeker: The values of the homes?

10-00:11:31
Sandler: The homes. Because everybody was running.

10-00:11:35
Meeker: Well, I'm curious. Can you back up a little bit? I don't know if this is the correct term, but I would see this as a supply-side problem, meaning unethical loan behavior, the bastardization of the adjustable-rate mortgage. But also on the demand side, on the consumer side, it seems to me—and this is more speculation; I'd like you to comment on this—there was a transformation of consumer sentiment about what a home is supposed to be.

10-00:12:13
Sandler: Yeah. It became a speculation.

10-00:12:16
Meeker: On a mass scale.

10-00:12:17
Sandler: On a mass scale. There were people who were borrowing to buy as an investment property a single-family home, and their whole experience because of—boy, that's terrible—for the years preceding was that values kept going up, so they could refinance all the time, take more money out, make more investments. It was a Ponzi scheme in a way, and they thought there was no tomorrow. That was insane. That was crazy.

10-00:12:53
Meeker: Where do you think that comes from?

10-00:12:59
Sandler: I was just thinking it's the kind of situation where I had a cousin who was older than I who is now deceased, and she was asking about whether she should invest in a home. She knows nothing about it! But that was the small talk. That was all over the papers. Oh, boy! How you make money! It was just naiveté, stupidity, avarice, greed, everything that made no sense, and couldn't continue. But my error was in thinking it would be restricted to those institutions that was engaging in those practices. But when it took down home prices generally, it caused lots of problems for lenders who were otherwise good lenders.

10-00:13:50
Meeker: Well, let's hold there, and then now let's move on to a discussion of your emerging recognition that you wanted to get out of this business. Can you talk about that?

10-00:14:07
Sandler: Yeah. It's actually very, very simple. Marion and I were now in our mid-seventies, and over the previous years, we had been doing more and more philanthropic activities, and it was taking more and more time. We had two major projects in the early 2000s. One was the Center for American Progress; one was the Center for Responsible Lending, which was the anti-predatory lending operation. We had just become fully engaged in scientific research and scientific initiatives, plus a whole bunch of other things, and essentially, we were working around the clock, and we were in our seventies. It was clear it couldn't continue. We either had to stop the philanthropy, which had become fascinating to us and gave us the feeling that we could really make a contribution to society of some significance, or stop running the business.

So the issue was we were going to step down one way or another, and there were two options for us. One was for us to step down. We had our next successors in place; they had been there already for thirty years, so we knew who they were, although they were getting older, also. I always thought we were the only ones getting older and the others weren't. Or selling the company. And so we were just kind of thinking it through, and we had retained an investment banking firm to give us some guidance and make sure we were exploring everything intelligently.

Actually, by coincidence, one of the people from the investment banking firm was approached at some meeting by somebody from Wachovia—I don't remember who was who—and they said would we be interested? And so they brought that back to us, and we all discussed it. It seemed to make sense. Wachovia had a pretty good reputation. I was a friend—not a close friend—of a fellow named John Medlin, who had been the president of Wachovia some years earlier, and was generally recognized for many years as—he was described as the best bank executive in the business. I admired him a great deal, and I talked to him about Wachovia after I was approached, and he said he thought that they were being well run—not as well run, maybe, as when he was there, which is clearly true, but a well-run company, and had a good reputation. And it ended up that a deal was made.

10-00:17:23
Meeker: So rather than the management buyout option, I guess—

10-00:17:29
Sandler: No, it wasn't a management buyout. We would have retired, Russ Kettell and Jim Judd would have been our successors, and they would have promoted a bunch of other people who were just under them, who had also been at the company for twenty-five, thirty years—sort of steeped in the culture of the company.

10-00:17:46
Meeker: I imagine you would have maintained a spot on the board?

10-00:17:50
Sandler: I don't think so. I don't think so. I mean, we didn't get to that situation. That would have been an issue for us to decide together with Jim and Russ, because there is always a question of—particularly two strong personalities such as Marion and I, who were so critical in the company's history—you getting in the way of your successors. That has to be handled very delicately.

10-00:18:21
Meeker: In balance, then, the Wachovia offer, why did you go with—

10-00:18:24
Sandler: We discussed it. The offer came. We talked about it, the four of us, and talked to some other senior management. There was a premium paid, and not that big a premium, but a sizeable premium; I think it was about 15 percent premium. And we took the offer.

10-00:18:48
Meeker: Was part of your motivation that you would end up with a large pool of capital that then you could leverage in your philanthropic enterprises?

10-00:18:58
Sandler: Before the deal was consummated, we issued $1.3 billion to the foundation. It was the largest grant, at that time, at any one time to a philanthropic enterprise. The money meant nothing to us in terms of our lives. We had been lucky; had

some ability to build a superb financial institution, which had enormous value, in a business in which we had no copyrights, no trademarks; everything is—what's the word? Begins with "f?" I can't think of it [fungible].We had nothing special, other than the ability of ourselves, and the people, and the company. And we built what was generally recognized as one of the best-managed, if not the best managed, financial institutions in the country. We know you can't take it with you, and our intention was to give the vast bulk of it—it's probably somewhere—it's about 90 to 97 percent of it—away. That's what we were focused on.

10-00:20:39

Meeker: Could you tell me about the process of transferring ownership? There was, I read, a discussion of the establishment of a severance pool for employees who wouldn't transfer over to the new company. Those kinds of things, how did you manage the transition?

10-00:21:01

Sandler: That's the social aspects of mergers. Frequently in mergers, in order to induce management of the disappearing company to not block the transaction, frequently, large sums of money—$50 million, $100 million, $200 million—are paid over to the management of the company to be acquired. We were making a ton of money as it was from the stock because we had started the company, so we chose not to do that. But we said to them, "You guys are saving the usual money that you use, if you'll excuse me, to pay off management of the company you are acquiring. We would like to have a large sum of money set aside for the rank and file in the company." I don't recall the exact amount, but it was $50 million or north of $50 million which was set aside. Then we had to go through this laborious process of how you split it up, and all that. It's not a big deal, actually.

There is a funny aspect to it. When many of these deals are made, you immediately get what's called "strike lawsuits" by companies that specialize in these class action lawsuits. And so a lawsuit was filed against the merger charging that we made the deal in order to enrich ourselves, because they knew that Wachovia had made a series of very large payments in their last X number of deals, and they assumed it was this—they never saw the papers. I remember our lawyer told us that he called the attorney and said, "You know the Sandlers are getting nothing." Then they say, "Yeah, I mean, you are not getting as much as—." "No," he said, "they are getting nothing." And the guy was stunned, and actually didn't believe them at first. They were hoping to get tens of millions of dollars in a lawsuit. Wachovia ultimately settled because they didn't want it delayed, there was no basis for anything, and they took a pittance.

10-00:23:52

Meeker: Who was the plaintiff in that? Was it stockholders, or—?

10-00:23:55
Sandler: These things are wonderful. My memory, it was a very famous firm: Lefrak. Lefrak subsequently went to jail, incidentally, for some of the stuff he pulled in his deals. What amused us, in addition to the fact that there was an allegation assuming that we were getting money, which they found out later we didn't, but the next day, another lawsuit was filed by another law firm located across the street from the Lefrak firm. What was amusing is they had Xeroxed the Lefrak complaint, and we could tell because there were typos in Lefrak, and it was the same typos in the same places. So they obviously had Xeroxed the Lefrak complaint, and I think there was a relative in that firm with the Lefrak's, so they were just trying to get in on it so they could get some fees. It's a world I didn't know anything about, but it really is slimy.

10-00:25:05
Meeker: Wow. That's amazing.

10-00:25:05
Sandler: Yeah. Yeah. Fascinating.

10-00:25:07
Meeker: So were they ostensibly doing this on behalf of shareholders?

10-00:25:11
Sandler: Yeah, ostensibly. But the shareholders end up getting nothing. Virtually all goes to the attorneys.

10-00:25:15
Meeker: Right, right. Did you get a sense in the negotiations with Wachovia about what the fate of Golden West and World would be? Would the brand disappear through Wachovia?

10-00:25:29
Sandler: Of course. No. We ourselves made numerous mergers: thirty, forty, fifty, or more acquisitions. It doesn't make sense unless you merge them together in order to get the benefits of the synergies of combining.

I may have mentioned this in an earlier interview. During the period we were making a lot of acquisitions, we lost a certain number of situations where we were the better purchaser, but we would not lie. Many of the companies would tell the disappearing company, "Well, we are going to keep your board of directors, either as an advisory board or we are going to keep them, and we are not going to do this, and we are not going to—." Those were all lies, because the deal made no sense unless they got the synergies that were part of it. And we would tell them, "We are not going to lie to you. None of these companies are going to keep what they are saying they are going to do. They'll keep it for some period, and then they'll eliminate you, because it makes no sense for them."

And the sellers were naïve, and they ended up with a deal, frequently, that was not as good as ours, and history would prove our results were much better. They would have been much better off had they owned our stock than the stock of the other company. It's a matter of how you do business. We just didn't want to be in that kind of a situation. It was incompatible with our view of life.

10-00:27:12
Meeker: What did Wachovia say to you? Clearly, the brand would disappear, but was part of the negotiation expect that these branches will be closed, and that the workforce will be reduced—

10-00:27:24
Sandler: No, no, no. Many of the branches were kept. See, that was one of the benefits, from their perspective. They were largely an East Coast institution. They didn't have anything on the West Coast. So A) now they would be on the West Coast, B) we were a tremendously great organization, a tremendous lender, best record of any financial institution in the country of size. A negative for us as an acquisition is they would not get much in the way of synergies from combining because we were so efficient ourselves. Do you remember our discussions in our cost structure versus the other savings and loans, our peers, and against banks? So we already were so efficient, they would get some minor benefits, but nothing major in that area. What they were looking for was the branch system and the lending operation.

10-00:28:29
Meeker: Interesting. The sale, was it a cash deal, or were you getting—

10-00:28:33
Sandler: No, no. It was stock.

10-00:28:33
Meeker: It was stock? So I assume that you would have done a vast amount of due diligence, making sure that the stock you were getting was worth what it was—

10-00:28:42
Sandler: Not as much due diligence, in retrospect, as I should have done. I thought we did a lot of due diligence. A lot of people thought we were geniuses because we were selling before this debacle that followed in 2008. Our deal was in 2006. Do not use the "genius" category for us. We had no idea that there was this kind of a situation about to unfold, this near-depression. We sold because we were working seven days a week and something had to stop, and we were in our mid-seventies. So we were not brilliant.

What was your question before that?

10-00:29:28
Meeker: I guess it was about due diligence, and making sure that your stock was—

10-00:29:33
Sandler: I didn't know the market was going to crater, and I certainly didn't know how they were going to handle this extremely difficult environment. It turned out it was a disaster for them, and it hurt us financially as well.

10-00:29:50
Meeker: That was what I was getting at. It's not a cash deal, and so there were clearly criticisms that emerged afterwards that you guys engineered a sale of a bad system. But in reality, you are selling it, but you are also maintaining ownership in a larger entity.

10-00:30:12
Sandler: We lost a lot of money because I very foolishly did believe that Wachovia could handle the problems when the problems did occur, and held a lot of stock. And we lost a ton of money. It hurt us, and it hurt the foundation.

10-00:30:36
Meeker: Well, that's a part of the story I think is useful to tell, because I think it runs against this idea that—you know, if it was a cash deal, it would be like yeah, you are washing your hands, you are walking away, "Take this." But—

10-00:30:45
Sandler: No. God, no. No. We got stuck with a bunch of stock which became of no value.

10-00:30:51
Meeker: Yeah. Can you describe for me what you think happened at Wachovia after the purchase?

10-00:31:04
Sandler: Yeah. Well, first of all, it turned out that we all learned things that nobody knew: that their operation was not as tight and as strong as it should have been. There was a period of I think five quarters for which we have actual data—I can't remember which five quarters it was, but it was before the Wells Fargo takeover—in which, as the market was crumbling, our losses were something like $1.6 billion, but their losses were over $15 billion. So they were larger than us, but not that much larger, and it was all kinds of foolish investments and loans that they had made. Actually, one of the reasons, when Wells Fargo originally looked at them, why they didn't put in a bid the first time is they were not so worried about the loans made by Golden West, us—they were more worried about their Wachovia's commercial real estate portfolio.

What you had was a maelstrom, enormous fear, and then a succession of failures, and probably some bad decisions by the government, which took down Bear Stearns and took down Lehman Brothers, and Lehman Brothers really just put everybody into hysteria mode. And so it was a situation in which everybody was wondering who is going to fall next, because the concern was you'd have runs on institutions, liquidity crises. So it's easy for me from the outside to criticize somebody, and that's probably unfair. But I

saw a number of things that I thought could have been handled better and have increased their chances of having survived, and come out of that period.

10-00:33:01
Meeker: What are some of those things you suppose? That they perhaps could have done better.

10-00:33:07
Sandler: Well, first of all, they really became very defensive with respect to our loans, and talked negatively about it in a way that made people think the losses were going to be much greater than in fact they were, and that created fear. Then what they should have done is they should, at the beginning of the crisis, have built up their capital much more than—I don't think they did at all, actually. I can't recall. But they should have built their capital up, and that would have inured them to the problems. There was a whole series of steps they could have taken like that. They just did not rise to the occasion.

You know, it's difficult. It's easy from the outside to look at them and say, "Oh, they didn't do this, and they didn't do this," or "They did this, and that was wrong." It's just my sense of the situation. One of the things they did that caused an increase in the losses was they dismantled—they never fully understood our lending strategy, and all the things that we put in place that looked unnecessary to them were the things that made our quality so good. Much of the losses that took place came from the loans they made after the acquisition.

10-00:34:41
Meeker: What were some of those things that you did—

10-00:34:43
Sandler: There are all kinds of things you do when you are lending. We are not one of those lenders that looks at FICO scores, which are automated. We felt that those were helpful, but they shouldn't be the sole criteria. We used our own appraisers. We didn't use fee appraisers. There is an exception to that—I don't know how much detail you want to go into—but we had a way of controlling that. In other words, we had all kinds of procedures in place, the purpose of which was to ensure that the loan was a good loan. They thought the automated stuff was better, and less expensive so they dismantled a lot of the things that we did. They saved some money, and it cost them a ton of money.

The situation was hard. I'm not sure, no matter what they did, that they could have survived. But I think they could have done better. But I can't prove it.

10-00:35:50
Meeker: Can you take me to the summer of 2008, when this all really starts to come to a head?

10-00:35:56
Sandler: Well, there were three signal things that took place, and actually, for reasons you'll see in a minute, it's—looking back on it, I feel differently than when it happened. There was an *SNL* episode—*Saturday Night Live* episode—which attacked us and described us in the most venal terms; there was a *New York Times* article; and there was a *60 Minutes* piece. And I'm going to ramble a little bit now. So if you were interviewing almost anybody else who went through that period, they would all tell you, oh, they were innocent of everything. But I can actually prove that the losses that we had took place because many of our loans were in areas where the home values dropped 50 percent plus.

So this *Saturday Night Live* episode is fascinating. You would have thought they would have been the most difficult people to deal with. We contacted *SNL*—I mean, sorry, excuse me—*Saturday Night Live*, and I spoke to Lorne Michaels, and he said, "Oh my god. I didn't know those were real people the story was about. I thought it was fictional." He suddenly found out that the names used, "Herb and Marion Sandler," were real people. And they made a series of allegations of things that we did. I don't have it in front of me, but there were four or five allegations, one of which I remember is that we were lobbying Barney Frank from the House Banking Committee about something. That we sold our loans, et cetera, et cetera. Literally each item that they had us saying on the program was factually and demonstrably untrue.

It turned out that Lorne Michaels is kind of a class act. He said to us, "I am incredibly embarrassed. I cannot apologize deeply enough." Words to the effect: "I am an idiot." That's okay in a private conversation, but without ever telling it to us, he did it in an interview, and he admitted publicly. So it's in the public record that he knows of nothing that we've done that's wrong, that he had no idea that we were real people, and that he felt guilty, and embarrassed, and humiliated. This is in writing. The interview was at the *LA Times*. Pretty classy, because he didn't boast about it to us. I read it in the paper. That's how I found out.

10-00:39:09
Meeker: Before you move on to the other ones, I want to know how you experienced the first viewing of it.

10-00:39:21
Sandler: We were shocked, infuriated—

10-00:39:24
Meeker: Did you know it was going to happen in advance?

10-00:39:25
Sandler: No.

10-00:39:26
Meeker: Did you watch it?

10-00:39:26

Sandler: No. No. I didn't know about it. We were shocked, infuriated beyond belief. Here we are, literally the goody two shoes of the American business community—I don't think there is anybody who has had a better record of integrity and decency in running a business, tons of articles about it; probably the only managements that consistently talked to their employees and to money managers about words like "morality," "integrity," "doing the right thing," and then doing it.

What we found out is how that happened. I had known Al Franken casually. I called him, and he said, "Yeah. I know how it happened." On *Saturday Night Live*, he was the guy from the left, from the progressive, and they had a right-winger on the staff as well, whose name I don't remember. I know Jim remembers it, but I don't—Jim, my son. And this individual reads all the right-wing press. He had read an article in the *American Thinker*, which is the paper published by William Mellon Scaife—one of the most extreme right-wing funders—attacking Marion and me, but it had nothing to do with our lending. It had to do with the fact that we were funding progressive organizations. They do that all the time. If you go through all of Google, you will see attacks on us, and in 99 percent of the cases, it either comes from the right-wing nut brigade, or payday lenders, because of our support of the Center for Responsible Lending, which goes after the payday lenders who are screwing poor people. I found the article! All those things were in that article, and this guy put it into a segment—and he used our names—as if it were true.

So I actually found out how that happened. It turned out that Lorne Michaels was a class act and admitted error. He took that segment out. You can't find that on *Saturday Night Live* when you go through their history of programs. They took it out, they were that embarrassed. I didn't have any influence over them. I had no power over them.

10-00:42:19

Meeker: Just as a comment, it's not the first time that *Saturday Night Live* put something on that just wasn't very funny. But it wasn't very funny. There was no, like, even nervous humor in it.

10-00:42:34

Sandler: Well, they had Nancy Pelosi in that, and they had George Soros in that. But shall we move on to *New York Times*?

10-00:42:42

Meeker: Well, one more question about the *Saturday Night Live* skit, and that was it struck me, actually, as quite anti-Semitic, in that—I mean, I watched that video of Marion that you gave me speaking before, I think, shareholders, and she mostly has kind of a New England-style accent. She doesn't have a New York Jewish accent.

10-00:43:17
Sandler: She is from New England!

10-00:43:18
Meeker: They gave her this really strong New York Jewish accent. And here is, like, this rapacious Jewish banker.

10-00:43:27
Sandler: I wasn't focused on that at all. I was focused on the fact that they made four or five assertions about us—and it's interesting. Take each one; each one is demonstrably untrue. We lobbied Barney Frank the other way, the exact opposite.

10-00:43:46
Meeker: All right—*New York Times*.

10-00:43:49
Sandler: *New York Times* is the one that hurt the most, and we were devastated by it. We had always told our children, and others, that what you should do is to always do the right thing, the ethical thing, the moral thing. And a test of that is how would you feel about it if this were known and reported on the front page of the *New York Times*? So that actually was something the children have heard hundreds of times during their lives. And there it is in front of it. Now—

10-00:44:36
Meeker: What was the substance of the article, from your read?

10-00:44:39
Sandler: No. The burden of the article was that we had been a quality organization, but in the early 2000s, we decided to focus on volume rather than quality. And that was factually untrue. Had we known that that's what the article was going to be about, we could have produced all kinds of internal documents that would have proven that that was not the case. But we didn't know that. The reporter actually made an approach to one of our people first, and what he said is "You guys have such a wonderful reputation. All these terrible things are going—." And we thought he was going to do a positive article. As it turned out, we found out later that it was part of a sixteen-part series on people who had done bad things during that period.

Well, once we got over the devastating impact of that, we wrote to the executive editor, Bill Keller, and there was a series of letters. There are some interesting stories, and something pretty exciting that's happened recently. Maybe before I do that, I mean, let me quote from a couple of things. I have a lot more than this, but I'll just make it brief because I'll get on to the big picture.

So on Marion's death, there was an enormous number of letters that came in from all over the country, and hundreds and hundreds if not into the thousands

of letters from employees. There's a couple that are relevant to this. A fellow named Ron Wivvag, who had been with us, I guess, for about fifteen years. Here it is. Let me just read it to you, because it's right on point.

"During my fifteen-plus years at World, I had such tremendous pride in the work we were doing, which was only fully realized over the past five years in the post-World era. We had a reputation for loan quality, and took pride in the way everyone was trained in sales, underwriting, and appraisal quality. Those that didn't get it got out. Those that did benefited greatly from the unique culture that Herb and Marion created. I apply many of these rules today from the way I train salespeople to focus on adding value to the way I evaluate one's credit picture regardless of FICO"—that's that automated method—"to the risk factors that affect the value of an appraisal. Can you imagine any company doing appraisal van tours today?" What he means by that is we had, as part of our ongoing work, when loans, the very few loans that went bad, they took out a van and they loaded into it the appraisers, the underwriters, and the loan salesperson to visit the property, and then while at the property with all of the paperwork, think through should they have anticipated a problem, and what can we learn from this failure? There is no other company in the country that has anything like that program.

But here is the important part: "I remember a manager's meeting in San Francisco in 2004 that solidifies what the Sandlers and World are all about. Some of the managers of the company were commenting about our competitors coming in with lower start rates and using fee appraisers on their option ARMs [adjustable-rate mortgages]. When presented with a question as to why we don't do the same to compete, Herb and Marion sprang to their feet and almost in unison announced that these are the same types of actions that will lead to the downfall of this industry; how we must stay the course and not give in to the careless lending habits of many of our competitors. How right they were." This is contemporaneous memorandum. I actually remember that meeting, because something else happened at that meeting which pleased me, and I can tell you about that. This is the exact opposite of what the *New York Times* is writing about. I have tons of things like this, and internal documents to the effect that we mustn't change our focus on risk protection, et cetera, et cetera, et cetera. Had I known what they were writing about—.

The story that I alluded to here is I was worried about Las Vegas, because I thought there was an enormous amount of people buying properties for investment, and I was wondering, are we taking down the loan to value ratio to investors because when people are buying for investment, they are trying to have very high loan to values. I can't remember the number; instead of an 80 percent loan to value, I said, "Shouldn't you take it down to seventy?" And I remember the regional person from that area said, giving kind of a real wonderful look on her face, "Well, Mr. Sandler, we've actually taken it down to sixty." Unfortunately, they didn't do it all over. So that's—

10-00:51:30
Meeker: Should have gone down to forty.

10-00:51:32
Sandler: But that's really a very good point, because if you had a 20 percent loss in value, which would be historically off the page, we would have shown no losses. It had to be at a 50 percent level for us to show losses, because our average loan to value was 71 percent on our whole portfolio.

10-00:51:53
Meeker: And it was 50 percent?

10-00:51:56
Sandler: Yeah. We could have losses, declines in property values, of 25 and 30 percent, which would have been higher than any time in history, and we would have shown no or negligible losses. But we'll come to that.

Well, here is one other letter, and then I'll stop, because I have literally hundreds like this. This is from somebody, I don't know who it is. Frank. His name is Frank. "Integrity. The very definition of the word is and was Herbert and Marion Sandler's day-to-day philosophy. During my 20 years under their tutelage, they taught me the true meaning of integrity. There are numerous examples of their exemplary integrity that could be enumerated, but in my personal opinion, there is one in particular that best describes Mr. and Mrs. Sandler's integrity. Now and during the time that the Sandlers served as co-CEOs of World Savings, the work world environment is and was"—outside World; he doesn't mean our name. The outside environment. "Is and was dog eat dog, or do anything to get ahead. As with any employer, production objectives were important. But with the Sandlers, it was stressed that to meet objectives should never be at the expense of appropriate business practices. As co-CEOs, the Sandlers were the leaders in setting the business practices, which far exceeded industry standards. Throughout my career with the Sandlers, they inspired individual development, they supported company values and growth while achieving outstanding results, but they insisted that this achievement should never be at the expense of personal integrity." Et cetera, et cetera.

And one more thing that I came across, which is from an outside person. I have many more letters like this, but it's a letter from the head credit person of the Federal Reserve Board. Her name is Sabeth Siddique. "From my perspective, you were one of the few industry leaders, if not the only one, who really supported us regulators. As you know, some of the key elements of the subprime and nontraditional mortgage regulatory guidances are ideas generated by you that have now become the industry standard."

10-00:54:35
Meeker: Going back to *New York Times*, what kind of public and private response did Bill Keller provide?

10-00:54:42
Sandler: Well, there were four corrections, which is unprecedented in the *New York Times*. I don't know if they have ever had four corrections in one article. Incidentally, I should mention at one point, Michael Moss, the reporter, said he had to hurry the article—he needed this answer and this answer right away—because he had to have the article ready. The point was that he had to have it ready before the end of the year. Why? Because they were submitting it for a Pulitzer. It was withdrawn as an application for a Pulitzer. So four corrections, withdrawn as an application for Pulitzer, which is very, very important, and lastly—I mean, not "lastly"; lastly for the moment—there was a book including these 16 articles which they had created and were being published, and was being advertised for sale on Amazon. They pulled the book. Four corrections, pulling an application for a Pulitzer.

In addition, Bill Keller finally wrote the following letter: "I have reviewed the article we published on December 25, 2008, about you and the operations of World Savings Bank, a subsidiary of Golden West Financial Corporation, along with the material you and others have supplied to us since the article appeared. We have taken your arguments seriously and have, in keeping with our policies, published four corrections based on that information. Had we known of that information, we would have taken it into account in the original article." I don't give him a lot of credit for that sentence. What he should have said is "I should have confessed that we screwed up." But of course, he had lots of things that he had to think about since confessions of error could become a morale issue at the paper. "Although there are many issues about which we continue to disagree, we have provided a link to your website for readers who are interested in seeing your version. In any event, I hope it is clear to you that it was not an attack on the ethics or integrity of you or your management team. It was, on the contrary, a story about how even bankers who are recognized as the gold standard of integrity in that industry could not remain untouched by the exploding mortgage crisis."

I have a few more things to add. At an investigative journalism conference which is held in Berkeley every year, some years ago, shortly after this, there was a session including a number of people discussing errors that are made in stories and how they feel about that. One of the people there was somebody I had not met before but I had heard of, and his name was David Barstow. He is a multi-Pulitzer-Prize-winning investigative journalist, superb reputation, brilliant guy, but I had never met him. And he was talking at the conference about how his nightmare is that he gets something wrong and it affects somebody inappropriately, and that's his death wish. He said, "But one of the things is"—not his "death wish," his death fear—"one of the things is that I'm lucky to work at the *Times* because they are so good at making corrections immediately."

So I got up during the Q&A and I said I don't wish to rain on his parade, but in fact, the *New York Times* is horrible at making corrections. It's like pulling

teeth to get them to admit error. They fight you tooth and nail, and then when they admit the error, they frequently reprint everything that they had said that was wrong in the article, and they reprint that even though they are saying it wasn't accurate. Anyway, he came up to me after that and was talking about, and I unloaded on him.

10-00:59:00
Meeker: He knew what you were talking about?

10-00:59:02
Sandler: Well, I told him about the story that was done on us. He had vague recollections of it, but that wasn't critical to him. The next morning, he comes, looks for me at the meeting, at the conference, and he says he wants to apologize to me. He found out that I was right about the way corrections are done at the *Times*. They fight it tooth and nail before they'll admit a correction. And secondly, he checked with a lot of people about the story, and the reporters there know most of it is crap. We became friends since that time, incidentally, and he is a superb reporter.

But other things happened, and I can't recall whether I told this to you off the record or not. I'm incredibly sad that Marion was not here to have heard this. So this April, that's when they have the investigative journalism conference, and I am going to a breakfast meeting before the conference, which is at the Faculty Club at UC Berkeley, and I always forget how to get there. I was driving there, and there was a cab letting somebody out and so forth, and I think I'm at the place. I remember it because I have been there before many times. This fellow is walking over, and I am looking for a student to ask, "Is this the Faculty Club?" And so we realized we are both going to the same place. I say, "I guess we are going to the same place," and we asked a student, and he pointed: "Yes, that's it." I said, "I'm Herb Sandler." And he says, "I'm Tim O'Brien." Tim O'Brien was the senior editor in charge of the *NY Times* series, and he says, "I'm so glad we've met, because I have been wanting to tell this to you for a long time. I want to apologize deeply for what we put you through. I have spoken to many people, and you have a fan club at the *Times*, and they say you are this, that, and the other thing, very complimentary. And I feel so badly I haven't reached out to you before this, and I am so glad we met."

We ended up going into the breakfast, and I'm sitting with him and the people he is going to be on the panel with—he is on the main panel representing Bloomberg News—and we are chatting. Then we go in. There are a couple of hundred people there, and they are journalists, editors. He is on a panel with a reporter for the *Times* who was the person who got some of the tax returns from Trump over the transom and they never knew who got it to them, and the person from the *Washington Post* who is in charge of the Trump work, and then the guy from ABC News who does it for them, and they were all talking about Trump. Incidentally, he is somebody who knows Trump intimately. He

wrote a book; I think it's *TrumpNation* or something like that, in which he alleged that Trump was not worth $5 billion or $10 billion; he is worth a couple of hundred million at most. And Trump sued him, and Trump lost the lawsuit.

10-01:02:55
Meeker: This is O'Brien still, yes?

10-01:02:57
Sandler: I know this because O'Brien's famous for that. It's one of his great pleasures in life, is to have beaten Trump in a lawsuit at no cost to him.

And so they are all discussing Trump, and I went on the—O'Brien said something that was astonishing. He is making the point that Trump, in fact, is not a good businessman—a terrible businessman—and that—the rest of this is a quote which he is saying in front of several hundred journalists: "He is not a great businessperson. We have examples of great businesspeople in this country. Herb Sandler is sitting right here. Herb built a business from scratch. He ran it well. He ran it honorably and strategically. That is not Donald Trump."

So it's kind of a little finish for the *New York Times*, the situation. Had we known what the reporter was going to allege about us—and he incidentally needed far more than four corrections; there were probably fifteen corrections that should have been made—we could have given him documentary evidence about that.

There is one other thing that was relevant that you might be interested in. It's not directly on point, but it's kind of interesting.

10-01:04:32
Meeker: Could I actually pause there and ask you about your thoughts around investigative journalism as a field?

10-01:04:43
Sandler: Oh, yeah.

10-01:04:43
Meeker: In the sense that it can do a great deal of good, but even in service of ideals that you believe in, it might also sometimes do a great deal of bad.

10-01:04:56
Sandler: Not at ProPublica! Not at ProPublica.

10-01:05:00
Meeker: Nothing like that could ever happen?

10-01:05:02
Sandler: Very hard to happen. I can discuss that when we get to ProPublica if you like.

10-01:05:06
Meeker: Okay. Well, we'll talk about it then.

10-01:05:08
Sandler: I found this. It's an email from Steve Harris, who was Riegle's chief of staff—and then when Senator Sarbanes became chair of the Senate Banking Committee, he was Sarbane's chief of staff. He is sending me an email to say that "Michael Moss from the *New York Times* called this afternoon. Fairly short conversation. He was asking about the history of ARMs and your involvement in promoting them." And then Steve explained that it was initiated by the California legislature in the 1970s, and he gave him a little bit of the history.

This is the part that's interesting. Now, this is somebody who knows who the bad guys are and knows who the good guys are. He goes on to say, "I then mentioned that I was chief counsel of the banking committee in 1989 when we passed FIRREA, and afterwards was staff director and chief counsel of the committee through 2006. He asked about your involvement with the committee during the savings and loan crisis, and I indicated that you testified twice, you were a terrific witness, he should get the transcript, and you were an absolute champion of tough capital and underwriting standards, stopping excessive risk taking, banning junk bonds, placing controls on state-chartered thrifts, limiting brokered deposits. I also mentioned that you supported tough capital standards in the context of Basel II, and opposed elimination of the leverage ratio, and that you were very helpful to us in the context of the Sarbanes-Oxley, supporting CEOs and CFOs having to certify their financial statements when many CEOs opposed that provision."

There is not a goddamn thing that Harris said to him that was in that article or that he followed up on. He had a thesis, and it was important to him because if it was a positive article, it would not have been included in a series of the sixteen bad folks. So he had something personal at stake: participating in a sixteen-part series, which was going to be submitted to a Pulitzer, and being part of a book, or not being in there.

10-01:07:42
Meeker: He had a real axe to grind?

10-01:07:44
Sandler: A real axe to grind. He also was incompetent, in the sense that he understood nothing of the financial world. He may have had talent in other arenas, but everybody from the financial world who we spoke to said, "This guy doesn't understand how the mortgage market works."

In any event, I could go on and on, but that was one of the most horrible things of my life. I mean, putting aside Marion's illnesses and things of that kind, this was devastating to us. The *60 Minutes* piece was based on the allegations of a former employee who claimed that we had no controls, all it

was was volume, no matter what, et cetera. The *60 Minutes* piece actually was killed at one point because they realized it was a weak article. We also had told them that we could not disclose anything personal about the employee, but if they would get the individual, one Paul Bishop, to sign a release, we would turn over his personnel files, and then they could make a judgment about whether they really wanted to rely on what he said. They never asked for that release. The point would be Bishop would never have released his personnel files, for reasons I'll tell you in a moment, and if he did, they would have never written this story. What happened is the *Times* story then came out, and they decided to go forward with it.

Now, Bishop was suing. There was an arbitration, and I want to put this as nicely as I can: it was clear the arbitrator thought the guy was a nutcase, a liar, and a phony. In fact, he asked him a question which is under oath, incidentally, which is critical, because all his other allegations were never under oath: did you know of any incident, any loan, or any situation which he could point to as an example of what we did wrong? He had none. It was a feeling he had. And the arbitrator ruled against him, gave him nothing.

Part of the background on this guy—and here is a fault which I am embarrassed to admit: he had been hired, this fellow, because he played golf and was a friend of two of our senior loan people. He had been in the stock business, and he was looking for a job, and they said, "With your background, you should probably be pretty good as a loan salesperson." In any event, he wasn't any good, and in fact, at his first review, which was not a complimentary review, he tore up the review. He should have been fired at that point. So here is a company in which we eliminate politics and bureaucracy, but clearly, the person who was supervising him knew that he was a friend of these senior people and did not take the action that she should have taken, which is to fire him. And his career was like that.

In any event, *60 Minutes*, when I brought the arbitration award to them, to our astonishment, because *60 Minutes* is notorious for never apologizing for anything—I think there is one or two stories they have admitted guilt, and that was only when it was clear, totally clear—they have attached to the segment on their website the arbitration decision, which is kind of astonishing—. Also, I got a letter; I don't know if you have seen that.

10-01:12:14
Meeker: The letter that you wrote in response to—

10-01:12:17
Sandler: No, no. Well, we wrote very long letters, but there was a letter from the executive vice president and general counsel: "We reviewed the *60 Minutes* report entitled "World of Trouble" that aired on February 15, 2009. The materials we received from you and others before and after the report aired, as well as information on your website, and your"—and it goes on to say, "What

we alleged" about our history and our record, and "Based on the further information that you shared with us subsequent to the broadcast, we now better understand your position that at no time did you change your historic focus on the quality of your lending to a focus on volume. In addition, you maintain that to the extent a loan salesperson may have manipulated numbers in order to deceive your underwriters, such actions would have been a violation of company policy inconsistent with your training, neither condoned or tolerated, and further, that any individuals committing such actions would have been terminated.

"There are still a few issues about which we continue to differ. Among those, we disagree with your allegation that the report implies either criminal behavior or the approval of criminal behavior on your part. To the extent that any members of the audience believe that the segment implied that was the case, they are in error. No such implication was intended. Les Moonves, the CEO, and I want to thank you for meeting with us. We respect your openness, candor, and honesty, and have come to appreciate why your ethics and integrity have been recognized as the gold standard in the industry." Et cetera.

But the key to me, the most important thing, was Tim O'Brien, who is now an executive editor at Bloomberg, telling us what he told us, and then, in front of a large group of quite well-known journalists, making the comments gratuitously about the quality of our management and the integrity of our management. It's an interesting ending to a horrible, horrible experience.

I should point out one last thing. The theory was that the loan—the so-called option ARM known as "pick a pay," which is a marketing name—was a dangerous loan is factually and demonstrably untrue. What the option ARM does, it gives the borrower the privilege on a particular payment of paying less than the fully amortizing payment, and that what would happen would be a payment shock when you had to catch up. In fact, our loan was structured so as to make the possibility of that extraordinarily unlikely. However, in the bastardized version used by Countrywide, Washington Mutual, IndyMac, and others, and the subprime lenders, their structure of their loans were almost guaranteed to cause payment shock. Of course, we now know what happened in the following ten years. There was, I believe, either zero payment loans of ours which had payment shock, or close to zero. In other words, absolutely nominal or zero. Others had significant payment shock, as we predicted.

In addition, the losses that were forecast were significantly less than forecast, and there is another item which is in the documents. There are two things you have got going. You have got losses, and then you have interest income. Let me give you an example. Wells Fargo, at the time of the acquisition, had in their data a certain amount of losses they forecast, a certain amount of losses they expected. The losses actually was at least one third less than they forecasted. They also forecast interest income. That's actually even more interesting. They forecast $10 billion. In the first or second year after that, it

was already at $14 billion, and Wells Fargo, just running their own numbers—remember, everything I am saying comes directly from the financial reports, the audited financial reports—forecast in excess of $40 billion. That meant that if there were losses—let's take the high side—$20 billion, there were interest income of over $40 billion, which meant $20 billion in profit built in. So it was an extraordinarily successful deal for Wells Fargo, because the losses were far less than anticipated, and the income is far greater than anticipated.

10-01:18:00
Meeker: Just as a tag-on to the conversation, in addition to *60 Minutes*, *SNL*, and *New York Times*, you and Marion were listed in *Time* magazine as one of the twenty-five people to blame for the financial crisis. Looking back on it, this is not just one individual, one misbehaving and poorly-informed journalist or media outfit—it's several places.

10-01:18:34
Sandler: Oh, it's how it works. That's the whole point, Martin.

10-01:18:36
Meeker: Well, tell me about that. How does it work? How can something like this happen?

10-01:18:40
Sandler: *Time* is the absolutely perfect case for it. So we called *Time*. What they had in there was factually inaccurate, and it came straight from the *New York Times* story for which there were corrections. I got to speak to the journalist who wrote it, and I said, "Did you fact check?" And this is almost a quote: "They took away our budget for fact checking. We didn't do any fact check. We just copied it from the article." So you will see this article hundreds of times, and you will see an article, I'm sure, in the future that will allude to it. They copy it from previous articles. And that's what's pathetic. That's journalism at its most incompetent. Now, I don't know if you read it: did you see the piece that was done by the *Columbia Journalism Review?*

10-01:19:40
Meeker: Hm-mmm.

10-01:19:41
Sandler: The *Columbia Journalism Review* printed a piece by a guy who is quite a successful journalist today who was younger at the time who actually just said, "There is something fishy here that doesn't make sense. How can these people with this incredible record be doing these things? It doesn't make sense to me." Came in, interviewed us, interviewed everybody in the world. I got calls from all over: "Some guy was in here," duh, duh, duh, duh, duh, duh, duh. I think he calls the article "The Education of Herb and Marion Sandler." What he is saying, essentially, is that the *New York Times* story is likely wrong.

So the traditional newspaper, these are people of moderate competence; they go to LexisNexis or whatever, or they go—now it's Google, I guess—and they'll pull out that. You look at the *Times* story, that's, in particular, infuriating, because when you go to Google, you'll have to go pages and pages to find anything about what the *New York Times* did or *60 Minutes* did, but the *Time* magazine story will be among the top ten. Why? Because it's an article about thirty or forty people. So it's Bill Clinton, it's this person, it's that person. Any time that article on any one of the thirty or forty of us appears, it gets higher on the list. So I am destined to see that *Time* article until I die.

10-01:21:22
Meeker: Well, what you are talking about, really, is the media echo chamber that ends up happening, and—

10-01:21:30
Sandler: And the competence or lack thereof. You want to talk about ProPublica now, or wait until ProPublica?

10-01:21:38
Meeker: Let's talk about it now. We are jumping ahead of CAP, but that's fine, because I think we are talking about media and investigative journalism.

10-01:21:46
Sandler: Yeah. So I am a close friend of Lowell Bergman, who is at Berkeley—just retired from heading up the investigative reporting section—and Lowell is very well known. He used to be on *60 Minutes*, and he used to do most of Mike Wallace's stuff. If you have seen the movie *The Insider*, Lowell was played by Al Pacino in that movie. Lowell is the one who did the stories on tobacco and the outrages of the tobacco industry and lying, under oath, to a committee of Congress. And Lowell had this story about the truth, and the story of *The Insider* is how CBS cratered because they had a merger pending with Westinghouse. As a close friend of Lowell, I suffered through that whole period with him, and I became really fascinated by what investigative journalism, if done well and without interference, could be like. And like my brother, whom we spoke about earlier, I am driven crazy by abuse of power and corruption.

Well, something else interfered. I had in the back of my mind we ought to do something in that arena, but we didn't know what the vehicle would be. Then, through a friend, I got an insight about what was happening with legacy media—the traditional newspaper, broadcast; particularly newspaper: that the business model no longer worked. An industry that used to result in 30 percent return on investment suddenly wasn't making any money.

10-01:23:58
Meeker: Because of advertising?

10-01:23:59
Sandler: The internet. The internet destroyed the model. All the advertising disappeared, and that was an important part of their earnings. They have heavy costs, but the advertising dollars were going. And we know that investigative reporting is one of the greatest expenses of print media, and that's because you can work a story for three, six months, or a year, and you may get a story, or it may be a dry well. We began to see that people were firing their investigative staffs because they couldn't handle the expenses anymore. And we thought suddenly, there is a role here, and how do we do it?

I remember we knew casually Paul Steiger, who was the then-editor in chief of the *Wall Street Journal*, and was regarded as one of the top two or three editor/journalists in the country. We were picking his brain one day in his office when we were in New York, and his insights were fantastic. He is a very thoughtful, slow speaking, brilliant, conservative guy. And we came down in the elevator and we said, "That's our answer."

10-01:25:30
Meeker: Do you recall what his insights were? Was there anything that was particularly memorable?

10-01:25:33
Sandler: No, I don't remember the detail at all. But we were just asking questions, and he just made things so clear in his responses. So we told him, would he be the guy to run this thing? Now, it turned out he was facing mandatory retirement. It was also the year that it was announced that Murdoch was buying the *Journal*. His plan would have been to go on various boards of directors, but he was turned on by our idea, and we proceeded.

I will tell you a number of things. People all over were complimenting Marion and me. We were getting calls from people. One of the more interesting: we were at a conference on malaria up in Seattle called by Bill and Melinda Gates, and I remember clearly it had just been announced about ProPublica and Paul Steiger, and I get a message: "Bill and Melinda would like you to come backstage. They would like to talk to you guys." So Marion and I went back, and Bill said, "That's an incredibly brilliant idea. It's so needed. And you picked exactly the right person to make it happen." And I got calls like that all over the place from other journalists, people who were the other top two or three in the country said, "No, no—Paul's the best."

10-01:27:11
Meeker: Why is it? Why was he the best? What was it about his character or his experience?

10-01:27:15
Sandler: It was his integrity, his honesty. I mean, he is straight. A perfect fit for us in terms of our feelings about doing the right thing, honest, and high integrity, high morality. It was a total fit. We knew him casually, liked him, but when

we started getting these calls, it was obvious to us. I mean, people we didn't know were telling us about him, and about the idea being so important.

10-01:27:53
Meeker: Well, can you back up a little bit? Because there are other organizations that profess to do investigative journalism from a nonprofit—

10-01:28:01
Sandler: They are good. They are good. Most of them are good. The Center for—what's the one with Chuck Lewis?

10-01:28:07
Meeker: Center for Investigative Reporting, or—?

10-01:28:09
Sandler: No, that's CIR. That's here. Actually, that was started by Lowell and two other folks about thirty-five, forty years ago.

10-01:28:24
Meeker: Oh, the Center for Public Integrity?

10-01:28:25
Sandler: Center for Public Integrity. They do good work. They are having some problems right now, but they do good work. But if you read a lot about ProPublica—I hate to use the word again since I have used it twice today, about "gold standard." ProPublica is regarded as the gold standard for nonprofit investigative journalism. They are the go-to place. The people we are hiring today are absolute superstars who want to come and work at ProPublica because of A) the quality of the work, the integrity of the work, the seriousness of the work, the importance of the work, our focus on impact. It's a remarkable organization.

10-01:29:09
Meeker: What were you hoping to do with ProPublica that wasn't already being done by these other organizations?

10-01:29:14
Sandler: Well, first of all, these other organizations were tiny. We are now the largest. We made a significant financial commitment. The Center for Public Integrity, I like Chuck Lewis a lot, but it was clear to me—first—and he was leaving suddenly, which caused some friction between us at the time—but he was not a manager. He didn't know anything about management, and we were trying to help him in that regard. Much of what's done in media, the management is not there. Management at ProPublica is extraordinary. Just absolutely superb. Paul has been succeeded by two people, one on the news side and one on the business side, who are absolutely—and individually hired by Paul—and they are both absolutely superb.

10-01:30:21
Meeker: And that's Rich Tofel and Steve Engelberg? Is that right?

10-01:30:23
Sandler: Right. Engelberg's on the news side, a long-time *New York Times* editor. Tofel was Paul's deputy, and then he was also the deputy to the publisher of the *Wall Street Journal*, so he has got the business side, and then he's just incredible, able, smart, sophisticated, honest, decent human being, as is Engelberg. That's pretty good, incidentally. It's very exciting in the not-for-profit when you move through a succession planning. That's hard. Succession planning is hard, and particularly in the not-for-profit world. And so we have been through our first succession plan.

10-01:31:05
Meeker: Well, tell me more about what you really hoped ProPublica would become.

10-01:31:10
Sandler: I wanted to fill a niche. I wanted to focus on betrayal of the public trust, abuse of power, corruption. It's sad to say: there is so much corruption in the world. Until Trump, we were relatively good on corruption. There is all kinds of corruption: individual acts of corruption; systemic corruption. And the only way you can deal with that is by a free, vigorous press, and by top-flight investigative journalists going after that, shining light on it, shaming them, and causing action to be taken.

So we have won all these awards. We are, in our short life, a four-time Pulitzer winner. Remember, we don't have access to winning awards in a whole variety of areas. We are stuck in one area, investigative reporting, because that's what we're all about. We've got four Pulitzers, and then three other years, we were a finalist. That's seven out of—holy cow! That's amazing. That's fun. That's good for the ego: stroke yourself; slap yourself on the back. It's meaningless. What counts is was the bad practice stopped? Did they stop the abuse of power? Did we stop powerful people taking advantage or screwing vulnerable people? That's what we're about, and that's exciting as hell when we track our impact. Did we have an impact? Why didn't we have an impact?

10-01:32:57
Meeker: How do you get something started like this that, based on its structure and its constitution, actually is going to be set up to do something like this?

10-01:33:08
Sandler: Hire great people.

10-01:33:09
Meeker: All right. So Steiger starts. He probably hires a lot of people that—

10-01:33:13
Sandler: Yeah. He hired Tofel in a nanosecond. He let us interview the first few people. I had actually met Engelberg once before. He is a friend of Lowell Bergman's, and I knew his reputation. He hired him after a while. And actually, Paul's comment about Engelberg was, after a while, he is the best investigative editor

he has ever worked with. So we have two superstars: one on the business side; and one on the news side. And they have hired terrific people under them. We are already looking for succession planning past them, as any good operation should do.

10-01:33:55
Meeker: Well, and maybe—

10-01:33:56
Sandler: Can we talk about some others?

10-01:34:02
Meeker: No, no. I want to talk more about ProPublica, if it's possible. I really would like to drill down a little bit.

10-01:34:08
Sandler: I love to talk about ProPublica.

10-01:34:10
Meeker: Yeah. Well, I would like to drill down a little bit. I think it'll be useful for people to understand how something sui generis like this is established. What are some of the programmatic requirements?

10-01:34:25
Sandler: The first key is you have got to have a mission that makes sense. The second and most important thing is a leader. People who run foundations aren't the important ones. It's the people they are supporting to perform and achieve the mission of the organization. And the third is to provide capacity, and then set goals and objectives, have a strategic plan, and, very importantly, execute. The ability to implement. It's really easy to talk about "I am going to form this investigative journalism operation, and we are going to do this and that." Boy, is that easy to say. I could talk as good as anybody. To make it happen is what counts, and that requires leadership, and that means the ability to motivate, to organize, to delegate, to plan, to strategize, and then to execute.

10-01:35:33
Meeker: Was this set up like a typical newspaper newsroom, or was there something different or in addition that Steiger did to create a new and unique place?

10-01:35:45
Sandler: No. I think it's unique. I have met people there who have said it's the best place they have ever worked. They have total editorial freedom. The members of the board of directors and anybody else don't know anything about what they are working on. We don't. I have no idea what stories are being worked on. That's freedom. Somebody new once—it was many years ago; it hasn't happened since—in the first few years, I saw some reporter, and he said, "You know what I'm doing now?" And I said, "No! Don't tell me!" And I explained to him I'm not allowed to know, and he got it. And they all get that. For a newspaper person, that's nirvana. It's what we think is right. "We don't give a

damn. We go after you! You do anything wrong, Sandler, we are going to get you." That's great freedom. That's critical.

10-01:36:55

Meeker: What is the mechanism within ProPublica to ensure that the kind of investigative journalism off the rails like happened at *New York Times* doesn't happen there?

10-01:37:10

Sandler: First of all, it's being cognizant of that, and understanding what it's like, and watching it. Also, one of the things I asked, I said, "How do you deal with corrections?" And we make them. We check them right away, and we get back right away, and we make a decision right away, and we print the corrections if they should be corrected. We have had a couple of lawsuits; all of them were phonies, and they stopped. Establish a culture. That's one of the reasons I was so infuriated by the *New York Times* story, because we were the one place where, if something wrong was going on, we wanted to know it! We want to know it! We want to stop it!

This is a silly thing, but a friend would tell us, "You know, I live down near Redwood City, and I go past your office there, and I have noticed for a couple of months that the 'o' in the "Golden West" doesn't light up." I said, "What's your hesitation?" "Well, I didn't want to bother you." "What do you mean you didn't want to bother me? If you were a friend, you'd want to bother me. If you're not a friend, then you won't tell me." I want to know what's wrong.

Any legitimate operation wants to know what's going wrong. We don't want to "get" the person who is reporting it. We want to know what's wrong. We are not going to beat up on the wrongdoer if it was innocent wrongdoing, a mistake. If it's somebody who is trying to pull some phony stunt, then we'd go after them. But this is what it's all about. You either have that ethical principle or you don't. And ProPublica is extraordinarily high integrity, following in the Paul Steiger method.

10-01:39:00

Meeker: So does ProPublica allow for failure? I mean, you had mentioned three, six, twelve-month investigative journalism investigations that ultimately don't result in anything.

10-01:39:12

Sandler: They don't result in anything, or somebody beats you to the story. Something very exciting happened on one of our stories. I'm trying to remember what the name of it was. It was on a rape story. It ended up winning a Pulitzer. We were working on something, and we found out during the course of it that the Marshall Project, which is a not-for-profit investigative journalism organization which focuses only on criminal justice, was working on it. Now, there were several options available here. Option one, the most likely, is hurry your investigation up and beat them to it. Another one is they may be ahead of

us; we ought to drop it. But they did a third alternative, and I could have hugged them for it: "Let's join forces and work together on this thing." Which they did. And they won a Pulitzer. It was much better than the story that would have come out from either the Marshall Project or us by working together, and that's what I love about this organization, is unlike a for-profit, we share our ideas.

They did a story many years ago about nurses who were guilty of doing terrible things to their patients, with drugs or what have you, or treatment. It was a fantastic report, and the whole system was changed in California, which had a terrible record, and one of these great results. What they did, they said, "This is a problem that goes on throughout the country. Let's describe how we did the investigation." They prepared a menu—"This is what you do; these are the sources you could go to"—and made it available to journalists throughout the country, then held a seminar conference in which they would ask questions, and then the reporters made themselves available on an ongoing basis.

We are not out to beat. What we are interested in doing is stopping the bad practices. I have a different motivation when I'm a for-profit. I've got to win. We don't have to win against somebody else. We have to stop the practice. You just watch their stuff, how we help others to get on and stop it in your area. We can't be all over, so we do that in story after story after story, sharing our knowledge, sharing our expertise.

10-01:42:17

Meeker: Even though the board is not involved in deciding what investigations to pursue, what stories to pursue, was the board or were you involved in setting up the process by which ProPublica decides what should be pursued?

10-01:42:34

Sandler: No. We do not interfere in what should be pursued.

10-01:42:38

Meeker: But what about the process? The decision-making process about how ProPublica decides whether something is—

10-01:42:45

Sandler: Nobody on our board, with one or two possible exceptions, knows anywhere near as much as a Steiger, an Engelberg, and a Tofel. I think I read to you in the last meeting something from "Our Approach": "We view nonprofit leaders in organizations as the experts and agents of change. It is about them, not us. We are not micro-managers, but rather, view our role as macro-managers focused on big-picture issues like maintaining high standards of excellence, pursuing ambitious goals and sound strategies, and assembling a high-quality team that can execute and manage risk effectively."

So another organization we support is Center for Budget and Policy Priorities, headed by somebody named Bob Greenstein. Bob Greenstein is a genius, and he and his team know so much more than any of us—as smart as we think we are—will know about the areas that they should be working on. So we are not the type of person that will give a grant to the Center for Budget and Policy Priorities saying, "I want you to work on the Earned Income Tax Credit this year. This is really important." Bob Greenstein knows what's important. What we should do is give him the funds to use as he feels best, he and his team, to execute on the most important issues. Who the hell are we to tell Bob Greenstein and his team what to work on? If I think he is as smart as he is, and his track record is so good, I shouldn't be telling him what to do. I should be enabling him to do the good things that he does do. And that's the same thing with ProPublica, or Center for American Progress, or anything else. It's fundamental to our belief system.

10-01:44:48

Meeker: Have there been any ProPublica stories that have come out that for some reasons or another, you just kind of scratched your head and like, "Why are they pursuing this? This doesn't seem that important"?

10-01:45:01

Sandler: Well, there are two types of stories we do. One, we do the big deep dive stories, which are the really deep investigations, and those generally take six months to a year. On those, I have rarely had a criticism, because they are stopping practices which are—. We also have the shorter stories. Some of them I'm not as interested in, but you want keep everything going, make your website more interesting. If you like steak, you can't have steak for your appetizer, your hors d'oeuvre, your main course, and your dessert, so you have to have these other things. Some of them are less interesting to me, but that's the nature of the beast, since I have to put something out because it would be appealing to others. They are just continuing work on stuff they think has merit, and where something shameful is going on.

10-01:46:10

Meeker: How does ProPublica avoid becoming something like a Huffington Post?

10-01:46:15

Sandler: Oh, come on. The Huffington Post is an aggregator. That's a brilliant idea to make money. You have got all these people come in, write for nothing at the beginning, and that's—. I mean, I read the Huffington Post; I love the gossip, and you do learn something. But it's a different function in life. I mean, ProPublica is a top-flight, really smart, important operation.

10-01:46:41

Meeker: It's a 501(c)(3), correct?

10-01:46:43

Sandler: Yes, it is.

10-01:46:43
Meeker: How does ProPublica manage that divide whereby being a 501(c)(3), there are certain limits on speech, as far as advocacy of politics or—

10-01:46:58
Sandler: Well, we are not in the business of advocacy. We are in the business of investigating bad practices, like the abuse of power, powerful people taking advantage of vulnerable, corruption—.

10-01:47:08
Meeker: But regular newspapers are not 501(c)(3)s. They are private entities, so they have the freedom of speech to make endorsements, for instance. It's not a concern? It's not a difficult terrain to navigate?

10-01:47:23
Sandler: Just report the facts. "I just want the facts, ma'am." Remember him?

10-01:47:27
Meeker: Yeah, I do. That was *Dragnet*, right? So that legal requirement is—

10-01:47:39
Sandler: It doesn't occur to me. I don't know if it occurs to them at all, but we don't—. I think we are regarded by too many people as being liberal. In fact, our objective is to be totally nonpartisan. Whoever the bad actors are, we are going to call them out.

10-01:48:01
Meeker: Tell me about the relationship established between ProPublica and more traditional media: *New York Times*, other—

10-01:48:07
Sandler: Well, actually, that's very interesting, because essentially, the selection of Steiger was critical and brilliant in more ways than we anticipated. Our focus, as I indicated, is on impact. The more people that read the story, the more light that's being shone on it, and the more the likelihood is that something's going to be done. Because of Paul's reputation, ProPublica was able to partner with the heavy hitters in the news business. So right from the beginning, we were co-partnering with the *New York Times*, *Washington Post*, *60 Minutes*, god help us. That increased our importance. Today, we are a much bigger player. In the beginning, we had nothing; we are starting from nothing. And we have just continually increased our pageviews and all of those kind of things. But it's still, to be partner of any of the major other publications—*Atlantic*—these are people with very large viewership. We do the story, they check us out to make sure it's accurate. We report, actually, on all our partners—how many stories we have done with them, et cetera, et cetera, and we are continually adding new ones.

Until Steiger, that didn't happen. As Paul used to say—and I'm not sure I'm going to say it as well as he—"If we didn't do it here, it's not worth doing." That used to be the attitude. They wouldn't take from somebody else because

they wouldn't trust the quality. Because of Paul's reputation for ability, integrity, quality, they partnered with us almost from the very beginning. Others are now doing that. Would not have happened but for Paul.

10-01:50:29
Meeker: Do you think the future of journalism in the United States is going to be directly linked to philanthropy and nonprofits?

10-01:50:36
Sandler: I think there is a more difficult issue, and that is the impact of Facebook and Google, and the aggregators.

10-01:50:47
Meeker: How so?

10-01:50:49
Sandler: Because everything that you can get in the *New York Times* is going to end up in Facebook, and how they present it, and how are we going to keep the news media alive to supply the content that's needed? And we now also have another challenge, and that is fake news, which is the claim made by the biggest liar in history, our esteemed president. Totally pathetic. So I don't know the answers to this, but it's something we do talk a lot about to understand the impact of Facebook in both of those areas: how news is read, where it's read, and how to deal with the fake news, and the crap and the garbage that—

10-01:51:47
Meeker: Is this on the agenda of ProPublica, to try to figure out how to—

10-01:51:51
Sandler: Not the agenda. It would be a, quote, "business issue." I mean, we are too small to have a macro-impact on it. But these are the things that the *New York Times*, the *Washington Post*, and others are thinking about all the time, as are we.

10-01:52:08
Meeker: One area in which ProPublica has been quite successful is that it moved from being basically a project of the Sandler Foundation. While the Sandler Foundation still supports it to a big extent, it's found a lot of other supporters as well.

10-01:52:27
Sandler: Well, first of all—and it's part of our philosophy—sometimes, when you are starting something brand new that hasn't been done before, or rarely done, we find it easier to go ahead ourselves and essentially do all the funding at the beginning to get it started. It's never been our plan to be the sole funder. We think that's not in the best interests of the not-for-profit. We want the not-for-profit to have a broad base of support, and be able to thumb their nose at any one of their funders. When you are dependent on one or two or three funders, that's not good for the not-for-profit. It's also a way of proving the quality of

the operation, is whether you are able to get broad support. We have continually broadened our support.

One thing that Trump has done that's positive: he has helped us to get a lot more viewers and supporters because of the quality of our work. We are in bad times.

10-01:53:53
Meeker: Well, I don't want to end on that note today. Do you have a few more minutes?

10-01:53:57
Sandler: Yes.

10-01:53:58
Meeker: I think that I want to hold off on talking about CAP until next time, because I want to spend some time on that.

10-01:54:04
Sandler: I trust you are going to do CAP and the rest of the key big things we do.

10-01:54:10
Meeker: Right, right. I just wanted to wrap up today by asking you, and we talked a little bit about it last time, but if you are willing, I would like to ask you about your own politics. Because the more than I learn about the kinds of individuals and organizations that you support, I find it to be quite interesting.

Let me just go back to an interview that I did last summer, and it was with Willie Brown, and it was a really great interview, and hopefully it's going to be released soon. But one thing that we ended up talking about in that interview is how San Francisco during his tenure as mayor became a two-party town: not Democrat and Republican, but mainstream liberal and far-left progressive. And those two parties really coalesced, and had their politicians and had their infrastructure, and they began to and continue to fight pretty strongly against one another. You saw it in the Jane Kim/Scott Wiener battle for the state senate.

10-01:55:30
Sandler: If I may, you have something else going on. This town is pretty much run by developers also. Did Willie talk about that?

10-01:55:41
Meeker: Yeah. Yeah. We actually did talk about that quite a bit. But I'm thinking about this more on a national scale, where this kind of battle that really, I thought, appeared very clearly in San Francisco burst into the Democratic Party in a major way that I hadn't seen it quite that extreme in my lifetime. And between—

10-01:56:06
Sandler: No, it's been around.

10-01:56:07
Meeker: It's been around, but I really think the Bernie Sanders versus Hillary Clinton campaign was extraordinary in many ways. I'm just curious how you in your own politics approach that divide. Do you see there being a divide or—?

10-01:56:32
Sandler: I find it wasteful, shortsighted, and foolish. First of all, many of the things that Bernie Sanders argues for, I would agree. A different system of healthcare other than what we have is far more desirable. But it's very simplistic to argue for it and think that if you were elected president you are going to be able to do anything about it when the vast bulk of the population is antithetical to that.

The big divide is currently—it's in a book—I can't remember the name of the book—by Norm Ornstein some years ago talking about the move to the right of the Republican Party, and how horrible that's been. You have a party which is essentially crazy. It stands for all kinds of things that either make no sense, or are lies, or are venal. And there is enormous money behind it.

Our battle should not be between the left and the far left. The battle should be to get power away from these retrograde people, and then move forward as much as the population is willing to take. They get much too involved in thinking—and I find the far left's real problem here—thinking that things that are not acceptable to the population at large are going to happen because you have beaten just the liberal because they are not far enough left. So what you do is you waste a lot of money, a lot of energy, create a lot of heat, and stop progress. Even with what happened in this election, what if Jill Stein didn't run? What if Ralph Nader didn't run? These people with their egos and their nonsense hurt us all, and I find that pathetic and sad.

10-01:59:13
Meeker: It's hard. I watch a little bit about what's happening, because back in the eighties and nineties, you started to see this RINO movement—"Republican in Name Only"—and that was really purifying the Republican party of anyone considered moderate, or anyone who would compromise. The result of that is the Republican Party we have now, which you described. There also seems to be a danger in a DINO movement, and I know quite a few people who supported Sanders, and they said, "Well, Hillary's just a Republican. She is a Democrat in name only."

10-01:59:55
Sandler: First of all, that portrays such ignorance, because what people are saying, if they would listen more carefully, the difference is that Hillary in fact would take steps that would move them in the right direction. As far as it should go? No. But better than where we are now.

You know what it's like? Where I made fun before about the people who say, "I am going to do this, and I am going to do that?" It's so easy to say that, and so hard to execute. And particularly, it's a problem in California. There was

somebody who used to work for us, and he always told me this story that when Reagan won, his wife—they lived in Berkeley—and his wife turned to him and said, "Carl, this is amazing. I don't know anybody who voted for Reagan." She is living in her island of simplicity and naiveté. There should be people pushing us to go more in the right direction, but you have to have a plan to get there, and this country does not usually move in enormous steps. And San Francisco is not Iowa, Kansas, Michigan, Kentucky, et cetera, and we are all in the same country.

10-02:01:20

Meeker: I thought one of the best moments of the last campaign was—I think it was in the first—well, it was in a debate. It was in a debate, I think, just between Sanders and Clinton. The moderator asked Clinton, "Are you a progressive?" And she says, "I'm a progressive, but a progressive who believes in getting things done." I thought that should have been transformative in some ways, but—

10-02:01:54

Sandler: And lots of what Sanders said were just terrific things for crowds. I don't know if you saw Trump's speech in West Virginia. It was absolutely terrifying because—

10-02:02:08

Meeker: Oh, is this the Boy Scouts?

10-02:02:09

Sandler: No, no. He spoke in West Virginia, and you watch the audience nodding at what he was saying—pure, false absurdities—and they were all going like this. Take a look at Hitler's speeches and watch the people, with their ecstatic looks at the lies he was telling. Sanders was saying things that should be legitimate objectives, but very difficult to achieve, and Sanders is not anybody who has ever done anything like that. It's so easy to talk and get a crowd going. It's so hard to do.

The success that Marion and I have had was in large part, turning out, that we knew how to make things happen. Remember, we had no, as I pointed out, copyrights or trademarks. We are dealing with fungible—that's was the word I was looking for, "fungible." Every financial institution has the same goods. It's all in the strategy, and in the people, and in the execution. We had a kind of a talent, with luck, that let us execute well. Other people were talking about it, but weren't doing it.

So it's easy to talk, and that's my problem with people who are on the extremes. The larger problem is the Norm Ornstein problem of the extreme right has done. So on the healthcare legislation, where you have the Freedom Caucus, their position is a horrifying position: not everybody should get healthcare; only those of us who have money should get healthcare. That's really their position. But all the other conversation is yeah, we are going to

give them healthcare, but the healthcare that nobody can afford. They are in a different world. They don't have the empathy bone, the caring, the compassion, that makes a society work. In my opinion, it has to do with money ultimately, because that's the position of where the money comes from.

So before, in an earlier conversation, I made a comment which I thought of after our meeting, where I said, "Oh, politicians, they are dumb." Some of them are very dumb, but not in general. But there is a group of them since this extreme move to the right that really just don't care about anybody else. A position I find it hard to understand or deal with. But you can't work with them, and you have to work with those who have some sense of understanding, compassion, the difficulty of life, and figuring out how to make it possible for all of us to get through this existence in some decent way.

10-02:05:49
Meeker: Let's wrap up there today.

10-02:05:50
Sandler: Okay.

Interview 11: August 25, 2017

11-00:00:27
Meeker: Today is the twenty-fifth of August, 2017. This is Martin Meeker interviewing Herb Sandler. This is interview session number eleven, and we are here in the offices of the Sandler Foundation in San Francisco.

We are continuing today by discussing your philanthropic interests. Last week, I had the pleasure of interviewing John Podesta, in which we focused really on the Center for American Progress, his role in its establishment, your role in its establishment, such things as how they came about making policy recommendations and designs, and some of his overall thoughts around the current trajectory of politics in the United States. So now it's your turn to tell the CAP story, and—

11-00:01:30
Sandler: I hope they are compatible.

11-00:01:31
Meeker: Well, we'll see. That's the brilliant thing about oral history, is you get a *Rashomon* view sometimes.

Actually, in a previous interview—and I was just reviewing the transcripts—you had described how you have never really been that interested in funding political candidates. You have never been a Walter Shorenstein-type character. But clearly, you have an interest in politics, and as it relates to the issues that you are interested in, and in broader questions around equity and social justice. So starting there, can you tell me about the initial kernel of your interest in this?

11-00:02:19
Sandler: Well, the way it started is after the Bush election in 2000, and looking at some of his policies and thinking, there were a whole bunch of things, but one that I remember very clearly was what he did with respect to constraints on stem cell research. It seemed to us to be a move back to the twelfth century. It's as if we have learned nothing in the last eight or ten centuries, and we are back in the world of superstition and nonsense. But that was only one of the things that reflected the tremendous move to the right in this country, and it affected our philanthropy because a lot of things we were working on were going to be hurt, slowed down, because of some of the nonsensical extreme right positions of the Bush administration.

And so we tried to figure out how'd that happen? And so we engaged in a period of research—due diligence, if you will—which lasted probably in the area of nine months, maybe twelve months, going back to the Goldwater period, and then a very important item in 1971, the so-called "Powell Amendment." Are you familiar with that, Martin?

11-00:04:02
Meeker: No, I'm not.

11-00:04:03
Sandler: Before Lewis Powell became a justice of the Supreme Court, he was a very important attorney for a lot of businesses. A friend, I believe—this may be apocryphal or not—who was a vice president or vice chair of the business trade association was concerned about how business was regarded in the country. He wrote a memorandum which actually became a playbook for the right wing. The idea was to fund scholars—conservative, right wing, primarily very right-wing scholars—and to create think tanks. So institutions such as Cato, AEI [American Enterprise Institute], Heritage in particular, largely came out of that period of funding by right-wing funders. William Mellon Scaife, who is an awful person, Smith, Bradley, Richardson, Olin funded all of these think tanks and scholars.

It was very brilliant, and I give them an enormous amount of credit because their strategy was outstanding and extremely successful. As it turned out, what came out of their research were powerful organizations in three areas in particular. One was the national think tanks, such as the ones I have mentioned. Another was the Federalist Society, which is the organization for lawyers, and the right-wing Supreme Court justices all come out of the Federalist Society. And something called ALEC—the American Legislative Exchange Council—which works on state laws.

So after that research, Marion and I said, why can't we do something like this? Why can't we help progressive national think tanks to be more effective and more powerful than they are? Why can't we have an equivalent of the Federalist Society? Can we do something like ALEC? Our big success was with the first item, and I can discuss the others if you would like later.

So we visited the progressive think tanks that then existed in Washington, went from one to the other, met with their leadership, and although they were all good people and decent people, we didn't feel that significant additional funding would be used effectively by their folks.

11-00:07:22
Meeker: What are the examples of those organizations?

11-00:07:28
Sandler: Campaign for America's Future is one, the Economic Policy Institute was another, and I forget the others. It was a long list. Again, they are smart, decent people, but one of the keys in addition to the think tank aspect is the communications, and they were pathetic in that. There was no way they would ever know what to do.

So we were kind of frustrated, and we were about to engage a consultant to help us when I received an email from Aryeh Neier, who at that time was the

head of the Soros foundation's Open Society, and he said he had received an application for a grant for something that sounded very much like what we had described to him that we were looking for. There was an application for funding for a progressive think tank which would be co-directed by John Podesta and Mort Halperin, who I think may have been at the ACLU at that time, but I am not certain. We didn't know either of them; we may have met Halperin once, but we didn't really know him. But whatever we knew about him, we didn't think he was the right person to be involved. The other problem was that I had a bias—even though I had never met him—against Podesta, because Podesta had been the chief of staff for Clinton, and I was very upset with Clinton because I saw this highly intelligent, effective guy screw it up with the Monica Lewinsky thing, and I felt it had tarnished anybody who worked with him. But it was very similar to what we were interested in, with a couple of deficiencies, in our opinion, which I'll discuss later.

So the first thing we did is decided to check out Podesta particularly, because of this bias. We gathered about thirty names from people whom we knew and trusted and who would tell us what they really thought, who came from all over the political spectrum: left; center; and right. It was an astonishing experience. Each of us took about 15 names, and it was as if there was a tape recording, because virtually every one of them said exactly the same thing: highly intelligent; extraordinary judgment; grounded; extremely decent values—on and on and on about this person who walked on water, from all sides of the political spectrum, including people who had come to—who engaged in arguments with him. We always asked the question, "Is there anything"—particularly when you get recommendations of that type—"Is there anything negative you can tell us about him?" A few of them said something which was interesting: "Well, he doesn't sugarcoat things when he talks to you. He is very direct." We actually thought that was even more favorable than the stuff that they thought was favorable, because you don't want nonsense—you want somebody who is straight, totally straight.

So we arranged for him to come out to California and spend a day with us. We had him to our apartment in San Francisco with Marion, myself, Susan, and Jim. We stayed there for a good part of a day, and essentially, we were pretty much blown away. Since you have met him, you know he is not one of these outgoing, backslapping, "I'm great" kind of persons. He was just so open, and so honest, and so straight that he really spoke to us. I can't remember whether we did it at that meeting or subsequently, but we just came out with a very strong position, and that was, first of all, an organization, to be effective, can't be co-directed. It has to have a leader, not two leaders, and we particularly were—what we knew of Halperin, did not think he was the right person. But we wanted Podesta, and either at that meeting or at a later time, we called and said that we'd like to go ahead, but we had a condition, and the condition was that he would run the operation. He did not expect that, because his plan for his life subsequent to the period as chief of staff was to be an advisor to

NRDC, the major environmental group, and to teach at Georgetown. He said he'd have to think about it, and he'd have to talk with his wife.

Let me mention the other two things that bothered us a little bit. In the group that he described in the memorandum were a bunch of people, all of whom were connected with the Clintons. We also thought the money to be spent as laid out in the memorandum, was inadequate to have a really important think tank. It was very focused on the communication part, and our view was communications based on enormously talented people in the think tank. We guessed why he had done that, and it turned out we were right. The reason they had so many people involved was they were worried about their ability to raise the money, and therefore, by having a larger group of people starting it, each one would have their own outside contacts, and each one could get some money.

The reason the think tank was not as robust as we would have wanted was the same reason: they didn't think it'd get enough money. We told them, "Let us worry about the money. We want a robust think tank and a robust communications operation." The Heritage Society, or Heritage Foundation, whatever they call it, their success is largely because they understood the importance of communication, and something in excess of 40 percent of their total budget went for communication and outreach, and we wanted to have the same standard. We wanted a very robust policy think tank, and we wanted a very strong communications operation.

He came back to us, and after this discussion with his wife, he said he would do it. We were thrilled, and he began it. I do remember very clearly at the very beginning, there were three people—there was John Podesta, there was a woman named Sarah Wartell, and there was a college kid—and they had a cell phone. That was it. We were prepared to provide significant funding, and, of course, we wanted to get other funding. We started making calls around to people we knew who—and almost everybody, even those who didn't give money, said, "This is such an important thing. This is critically important. There has been nothing on the progressive side, and it's about time we had a powerful think tank and communication apparatus. He lucked out, in the sense that I believe for space, he got some space for X number of months from Emily's List, who I think was moving out of their quarters into other quarters, and they had X months left of free rent.

That's how we started. Now they have a budget of just under $50 million a year, and are generally regarded as the most influential, powerful think tank of its type in the country, exceeding the right wing.

11-00:16:39

Meeker: What percentage of their budget at the beginning was the Sandler Foundation contributing?

11-00:16:43
Sandler: Oh, at the very beginning, it was just us, but quite quickly Peter Lewis, who is since deceased, came in. His approach was very interesting. He says, "Let's not waste any time with fundraising. There is the two of us, and let's get two others. Each of us will put in a quarter of whatever the budget's going to be, and that's it." I said, "That's not the way to build an organization. You want to have it well funded, very diversified, so they are not dependent on any one of us." But that's the way it started. Then John, who is not really a good fundraiser because he won't say good things about himself—he won't put himself forward, he will just describe the thing—and you have to do a certain amount of blah-blah in fundraising. So I went out on fundraising trips with him, both Marion and I did, and we quickly got people into it. And it was off and running. We had $15 million, $20 million pretty quickly. I can't remember anymore, it's so long ago now.

11-00:17:49
Meeker: Then, where we are now, what percentage is the Sandler Foundation contributing, roughly?

11-00:17:56
Sandler: Oh, I think, yes, it's 8 percent, 9 percent.

11-00:18:00
Meeker: Okay. So this is definitely a success story as far as moving on to—

11-00:18:06
Sandler: There are entities that track think tanks, how they rate them as to influence, importance, et cetera, and we are among the very top in the world. I may have mentioned this in an earlier interview.

I had a really delightful experience. I was at an investigative journalism meeting at Berkeley, and during lunch, I was talking to Dick Tofel, who is the president of ProPublica. He was chatting with somebody when I walked over to him. Dick was chatting with a young man who worked at the Heritage Foundation. I said, "I want to give you full disclosure. I am connected with CAP." He said, "Boy, they are fantastic. They are just so good. We watch what they do because we want to copy them." What that meant is CAP started off trying to copy the Heritage Foundation and how it got to be so influential, and now here it is X years later, and they are studying CAP because they have leapt in front of the crowd.

11-00:19:26
Meeker: In these early conversations and in the first, say, six months of its establishment, how was the policy agenda established? What were going to be the first issues that CAP was going to address?

11-00:19:44
Sandler: I can't remember that. The biggest thing I do remember in that arena was you had to do two things. You had to be able to fight back against the Bush

nonsense, the horrors that he was doing, the tax cutting which benefited wealthy people and screwed poor people. It seems to be a major aspect of the right wing, the be-all and end-all, and it explains a lot. Maybe we can talk more about that later. So it had to be part of it is to try to stop some of the garbage that was being proposed by the Bush administration, and the other was long-term policy. That was very difficult to make that split. In that sense, it took a lot of energy and effort to have people who were really good at deep, long-range planning working side by side with folks who were very good at hit-back. That's the thing I remember the most.

Podesta brought—one of the amazing things about him: because he is so widely recognized as such an able and decent person, he attracted the best of the best. We had fantastic people come in to CAP very, very quickly, so he had a brain trust assembled within months. I mean, they were absolutely outstanding people. I remember somebody whom I had known who was a Republican named Larry Korb who had worked in the Reagan administration, an expert on defense and national security, and Larry Korb came to work because of Podesta and because of the philosophy. I remember after he had been there for a few years, I was at a function with him, we were chatting, and he said it's the best place he's ever worked. The quality of people; the intelligence; the decency; the commitment. He says, "You know, I come in early, and there is always—these kids are there earlier than me. And they are already in there because this is the greatest thing they've ever done, and it's so important." It had that high morale. Just, it was fabulous.

11-00:22:17
Meeker: You just referred to "the philosophy." What was the philosophy?

11-00:22:21
Sandler: Well, the philosophy is progressive, and to stop bad policies that hurt people. There was no compassion on the right. It's all about trickle down, cut taxes, and everything good will flow from it. I'm going to discuss this again in another context later, but it's interesting: there is no empirical support for trickle-down economics. There is no serious, solid, intellectual research which supports it. As George Bush the older said, it was "voodoo economics." It's clearly voodoo. And it's still bought by lots of people. They accept it. And it's pure nonsense. So we are on the other side of that. We care about people, and equity and decency and fairness, and we think that you can make the economy grow faster and better if the benefits are more widely distributed.

11-00:23:29
Meeker: So that would be your definition of what "progressive values" are?

11-00:23:32
Sandler: Among other things. I am sure if I—.

11-00:23:36
Meeker: But if it boiled down to a word, it—

11-00:23:38
Sandler: At the beginning, we used to think about what does "progressive" mean? We talked about it and thought about it, and hired consultants. But I would trust Podesta's instincts on that about as good as anybody as to what's fair and right, and good for the country, and good for the most of the people.

11-00:24:00
Meeker: Well, when you say "his instincts," can you give me an example of this?

11-00:24:05
Sandler: Healthcare? I mean, healthcare is the result of the work of many people, but there is no question that CAP was more heavily involved in working out the language, dealing with the compromises that had to be made, which made it less good than it could have been, and then effectively getting it through Congress. That's why the nonsense of Trump and McConnell is so much nonsense. What are they arguing for? Taking away healthcare from people who, if they have any kind of emergency, will go either to an emergency room, which costs more than anything to the public because that has to be supported, or will die? What kind of policy is that? Who are these people?

11-00:25:08
Meeker: CAP-style progressivism—as a historian, it's hard to say that word because, right, that was a different era, that was 100 years ago [the Progressive Era, ca. 1890-1920]—but CAP-style progressive politics today is interesting. I mean, it reminds me of that moment in the Sanders/Clinton debate in which the moderator asked Hillary if she was a progressive, and she said, "Yes, I'm a progressive who believes in getting things done." That actually is a pretty important distinction, and I think it's important not to paper over that, in the sense that CAP didn't sacrifice the entire healthcare issue on the shores of single payer. It did make those compromises, with the eye of actually getting something done. Is that core to the kind of progressive politics that CAP believes?

11-00:26:22
Sandler: Yes. We are not in the business of making a lot of noise and getting nothing done. Our whole philosophy and what we do here, the little Sandler Foundation, is to make a change in people's lives to improve them for the better. Talking about something that's not going to happen has a role, because you do want to aspire to improving and getting the best you can. The big debate, honestly, is that some people think if you don't go for the ultimate, you'll never get what's best. That's a legitimate position, but then you have to determine what if you don't ever get anything done? Because we have a big country where people in the Midwest and the South are not the folks like us in California and in New York, and you can't just go your own way. You are always making compromises, but hopefully pushing the edges of what you are doing to improve the lives of people. Get something done.

So I aspire to some form of single payer. There are many forms, and most of the people who are yelling, "Single payer, single payer," don't understand that there is a whole wide swath of methods of single payer. But in the meantime, I want to have protection for as many people as possible. What do you think it's like if you are living at the margin and you have an accident, and you can't pay for your medical care? You are destroying the life of that person, and the whole family, and all the interconnections that they have. That's nonsense. It's a pathetic discussion. Don't get me into Trump because we'll talk about that for the next month. It's sheer idiocy, and ego, and sickness, and narcissism, and—forgive me—bullshit.

11-00:28:36

Meeker: Are there issues—policies—through CAP that there was a lot of conversation about where sort of a realistic progressivism—a progressivism of getting something done—emerged?

11-00:29:00

Sandler: I really can't remember. Some of the other things I do remember: the Recovery Act and the 2008 problem; there was, I think, $80 billion that went towards clean energy. It turns out to be pretty darn important. Is your question what role they played? They had a major role in many of what I would call the progressive initiatives of the Obama administration.

One of the problems with the Obama election is that one-third of our staff left to join the administration. Incidentally, in the second term, the same thing happened: he took another big group. I always said to John, "My god! For the business, I'd go crazy if anything like that happened." He says, "Yeah, but there are always great people, and there are other people who may not be exactly the same and don't have their exact talents, but they have other talents." So we restocked, and the group was as good or better than it ever was. The same thing with the second administration. It's amazing. It's amazing. To take a loss of one-third of your people and keep running, and improve yourself at the same time? That's leadership.

11-00:30:23

Meeker: There was an issue that, unfortunately, I didn't get a chance to ask Podesta about, and that was the 2008 election. I mean, this is really the first election cycle that CAP can conceivably play an important role, and there was a quite vigorous primary battle between Hillary Clinton and Barack Obama. Given that Podesta had worked for the Clintons, I believe he comes out for Obama fairly—

11-00:30:57

Sandler: No.

11-00:30:57

Meeker: No?

11-00:30:57
Sandler: He supported Clinton. He supported Clinton. And that tells you something about Podesta: that he can support the person who was opposing Obama, and yet Obama turned to him because of his ability, his honesty, his integrity, and his judgment. Even towards the end, I was very annoyed because Obama took him away from us for over a year as a senior counsel, as his key advisor. The country lucked out.

I think you thought Center for Responsible Lending was the first thing that our foundation started. It really wasn't. We started the work, I think, on CAP earlier than that; it just took longer. It's just amazing. Since then, we started eight, or nine, or ten different organizations. We hadn't planned to do that until after the CAP situation, in which we had to do that, and it turned out to be such a winner that we liked the idea.

11-00:32:16
Meeker: What were some of the key challenges CAP faced in getting established, and then becoming such an influential player?

11-00:32:28
Sandler: Well, first of all, fundraising was very hard. It had to do that. He seemed to be able to get all kinds of terrific talent to work there. Making sure that you were pursuing the best policy required a lot of research and work. But, of course, his experience and the quality of the people around him helped in that regard. There were all kinds of things to debate, but it's really a distant memory. Everybody had goodwill. The discussions and debates internally were aggressive, but everybody treated everybody decently, and it moved forward.

11-00:33:20
Meeker: We've talked about metrics in the context of current philanthropy. Did you communicate to Podesta what you wanted to see come from the investment that you were making?

11-00:33:32
Sandler: Why am I going to communicate to Podesta and tell somebody who is much smarter than I am, whose experience is much deeper than mine, whose values are similar to mine and to Marion's, why should I be telling him what to do? Could we make suggestions? Sure. Could we question things and ask why? Yeah. Did we have impact on various issues in which we might look at it differently? I suspect so. But to tell him what to do? Absolutely not. It's against our whole philosophy.

I mean, who the hell does a funder think he is to tell them what they should do? They are the talent. After our due diligence, if we think they are really terrific, and their mission is really important, why are we telling them what to do? If I have to do that, that means I put my money on the wrong place. I want people smarter than we are, more knowledgeable than we are, more able than we are to make the decisions of how they are most effective.

11-00:34:48
Meeker: Well, let me take it from the reverse perspective, then. I would imagine that whether Podesta felt like he needed to perform in certain ways or achieve certain things to justify additional funding, I'm sure that he was reporting to you and—

11-00:35:08
Sandler: He was reporting not to me, and not to Marion. He was reporting to a board.

11-00:35:12
Meeker: Right. All right. So when he was reporting to the board—

11-00:35:17
Sandler: Right. Every board meeting, he generally would have goals, objectives, which would be agreed on or debated, and modified if appropriate. Then we all—the board and the senior management—knew what those goals were. Incidentally, everybody else in the organization knew it, because there was good management. Then you worked towards those goals, and he would report on how we did: where we were making progress; where we weren't; why weren't we; could we change it—all the kinds of things that you do in a business.

I do have a really funny recollection on something that's small but interesting. So we had become quite friendly with Peter Lewis at the very beginning, and I remember a conversation we had one day over the phone. We said to him, Marion and I, that, well, no, we don't think we are going to go on the board. What's the point? We don't need to be on the board. He said, "That's crazy. These folks who run nonprofits, they don't know anything. You have got to watch them like a hawk. They'll spend money foolishly. They won't keep to a budget. They won't do this, and they won't do that. I demand that we both be on the board." At that point, we were virtually all the money going in, so Marion said okay. She'll go on to really assuage Peter, and Peter went on the board.

I remember at a meeting about six months later, first of all, they had produced a terrifically detailed, professionally-developed budget. We come into the meeting, and they report on the budget. He says, "What the hell am I doing here? This is as good as anything I have seen in business."

11-00:36:59
Meeker: Lewis said that?

11-00:37:00
Sandler: Yeah, I mean Peter. Everything was so professionally—the t's were crossed, the i's were dotted—it was just the way it ought to be. He is involved in lots and lots of not-for-profits; he had never seen that before. That's what had biased him, was the experience with other not-for-profits. Podesta ran a totally professional operation.

11-00:37:27
Meeker: You have already said that there is some fogginess in your memory about specific policy, but I'm going to ask this question anyway. So I'm interested in the policy areas where there was broad—really, consensus. I'm also interested in if there were any policy areas that were the subject of a great deal of debate.

11-00:37:49
Sandler: Yeah, there were, but I just don't remember what they were. But one of them was how do you define a progressive, and what does it mean to say "progressive?" What does it mean to say "liberal?" Any time you set goals and objectives, you want a consensus, and there is a discussion of it.

The first few years, we were very, very heavily involved. John was just a terrific person to work with. You got it totally straight. There was no ego involved in anything. You didn't have to worry about whether there were any hidden agendas. Everything was open, discussed openly: where he was concerned; where we were concerned—. It was just a spectacular relationship, and he was like that with everybody.

11-00:38:39
Meeker: Where did the name come from?

11-00:38:42
Sandler: I think it probably came from Marion. She is very good at names. To me, it was really funny, because the original name that we started with was "American Majority Institute," which everybody hated, and my point was who cares what the name is? It's what the entity does. She was troubled to call it "center" because everything is called "center" in Washington. But after looking at all the options we had, she—I don't know if it was her idea, but she was very supportive of—we wanted "American" in there, we wanted "progress" in there, and we couldn't work it out without using "center." Maybe at one point, we thought of "institute," and so forth. Unlike ProPublica, where she came up with a name which I think is fantastic, because it's very different and it's very memorable, and it tells you exactly what it is: in the public's interest, for the public. So that was a perfect name there, and everybody remembers it.

11-00:39:46
Meeker: Well, it's interesting. A think tank only really needs to be known to the decision makers, to the inside the Beltway people, to those programming the Sunday morning talk shows. It doesn't need to be known to the public. In fact, there is maybe even a benefit for it to be somewhat anonymous.

11-00:40:05
Sandler: It's actually known as "CAP." Everybody knows what "CAP" is in Washington.

11-00:40:11
Meeker: Well, in Washington, but the broader public doesn't really—

11-00:40:15
Sandler: No, unless you follow that stuff.

11-00:40:16
Meeker: Yeah. So maybe a more generic name is fine along those lines.

What do you think of the future for CAP?

11-00:40:28
Sandler: I think they are in a very good place. They have very strong leadership now. It is headed by Neera Tanden, who has been with the institute on and off for many years. She is quite able. Actually, it's kind of interesting. Neera was there pretty much at the beginning. Sarah Wartell, who is a person I mentioned, is today the president of the Urban Institute, which is a major intellectual center. Not bad.

11-00:40:58
Meeker: Do you have any thoughts on the role of CAP during the 2016 election cycle?

11-00:41:02
Sandler: During the 2016?

11-00:41:04
Meeker: Yeah. The primary; the bruising primary battle between Sanders and Clinton.

11-00:41:11
Sandler: Not really. Not really. I don't think about it. I haven't thought about it. Just, all I'm concerned about is that we have an accident of history which is devastating to millions of Americans; is changing the climate in this country with respect to Nazis, neo-Nazis, and their kin, which is strengthening the position of tyrants and dictators in other countries. To wit: Orbán in Hungry, Erdoğan in Turkey, and many other dictatorial regimes. This president is a blight on this country, and I'm frightened and horrified.

11-00:42:08
Meeker: What is the role for CAP in challenging and addressing this current crisis?

11-00:42:15
Sandler: Oh, they are terrific. They are extremely active in a whole variety of ways. I think they are a force for good during this period.

11-00:42:33
Meeker: I assume that you hope CAP is around in 20 years from now.

11-00:42:36
Sandler: Yeah. Yeah. I would prefer that there wasn't a need for CAP, but there always will be. Hopefully, we have gone successfully through our first transition,

from this fantastic, brilliant leader to another very able leader, and hopefully she will do an outstanding job. She is doing a very good job so far.

11-00:43:08
Meeker: What would a world look like in which CAP could safely close its doors?

11-00:43:15
Sandler: A world in which ideas like trickle down, which are pure nonsense, are—.

I'll tell a story on somebody, and I don't know that he would want this public. I'm a close friend of Bob Solow, who is an economist who is now about 93 or 94. One of the great men of the world: brilliant; decent; witty. I sent him a piece, oh, a year or two ago by Arthur Laffer. It was a piece that he had written which was just pure nonsense, and I sent it to Bob and asked what he thought. He said it's fascinating, because it demonstrates that the half-life of bullshit is a very long time.

So at a point when people won't be making recommendations that are pure nonsense because it achieves a goal which is on their hidden agenda, but that people are thinking about what's best for the most number of people rather than what's best for this small segment of society that is benefiting from astronomical income, maybe when that day comes.

11-00:45:02
Meeker: You know the story about how the theory of supply-side economics emerged? It was by this economist Laffer—

11-00:45:11
Sandler: That's who I was thinking of. I'm sorry. It's Arthur Laffer. It was a quote from Laffer I sent to Bob.

11-00:45:16
Meeker: Yeah. The story is that he was at a bar somewhere, a hotel bar—

11-00:45:21
Sandler: On a napkin. Yeah. And it's all baloney. It's total baloney. There is absolutely nothing to support it.

11-00:45:28
Meeker: We did a big project on the history of debt, and the moment that everyone always looks back to was in the Kennedy administration, of course, which is sixty years ago now. But during the Kennedy administration, in which they did do a series of pretty massive tax cuts, and it apparently did stimulate the economy by pushing more money into investment at that point in time. But when they tried it in the eighties, it didn't really seem to have that same kind of impact.

11-00:46:02
Sandler: Let's also remember that during the Clinton administration, he would push through a tax increase, and the Republicans, including Mr. Laffer and others

of his ilk, predicted that the country would go into steep decline, possibly a depression. Of course, what happened was a bunch of years with some of the best growth in American history.

11-00:46:28
Meeker: Not to mention the tax increase was one of the key factors in eliminating the annual deficit for—

11-00:46:37
Sandler: I'm just saying, if you have a situation and people are talking fairytales and baloney, and made-up nonsense because the objective really is to enrich the people who are providing your support, that's what it's all about. It's all money. Follow the money.

11-00:46:59
Meeker: Unless you have anything else you would like to say about CAP, shall we move on, or—?

11-00:47:07
Sandler: Yeah, we can move on.

11-00:47:09
Meeker: Okay. I have this list of a whole series of other initiatives in which you've played various levels of support, and do you want me to go through the order that I have here?

11-00:47:26
Sandler: Yeah. Go through any order you want.

11-00:47:27
Meeker: Well, the first one is J Street. So can you tell me what J Street is and what it set out to accomplish?

11-00:47:36
Sandler: Well, let me give you a little background, and I'll be very brief on this. AIPAC—the American Israeli PAC—it's essentially, in my view, an "Israel, right or wrong" organization, pretty much biased towards the right, but they purport to speak for American Jewry. I and Marion especially resented enormously the idea that somebody whose goals and objectives were anathema to us purported to speak for us. So there came a time when we said we can't stand this anymore; let's start an organization that, in fact, does speak for progressive Jews. We actually had a whole series of meetings with leaders like Dennis Ross and Martin Indyk, and a whole bunch of other people who were expert in this arena, and we then started to look for somebody who could head such an organization. To make a long story short, we struck out.

Then sometime later, maybe within a year or so, we were contacted by a guy whom we knew, Daniel Levy, who is Israeli, and a fellow named Jeremy Ben-Ami, whose grandfather was Israeli, with an idea which was our idea. They told us what they were trying to do, and it was pretty much the same as what

our thought process was, but we really didn't know Ben-Ami, and we said, "Well, we'll think about it." Then he came back to us after a while showing what he had accomplished on relatively little money, and we were impressed. We thought that he was a solid, thoughtful guy with good values, with positions similar to ours in the way they thought about what was going on in the Mid-East, and the terrible errors that were being made there perpetuating horrible lives for many people, and all kinds of violence.

So we provided a fair amount of support at the beginning. I don't remember the number, but it was fairly substantial. We still continue to support them, not as much as we did at the beginning to help get them started. But that's really the story. What was interesting is that somebody came up with an idea similar to what we had. We struck out; they have been very successful. I think they have done a good job, and are doing a good job. I'm impressed with what he's done.

11-00:50:32
Meeker: The Center for Budget and Policy Priorities?

11-00:50:33
Sandler: Now, that's really interesting, because that's one of our favorite organizations. So they are really an organization that's focused on poverty. They work on policies designed to reduce poverty and inequality, restore fiscal responsibility in equitable and effective ways. They are experts in budget and tax issues, and programs and policies that help low-income people. They have incredible—odd connection of words—extraordinary credibility even among people who don't agree with them, people who are more on the right, who are not exactly worried about poor people. But they have credibility because their research is so well done. So we have supported them, and they have a terrific leader, a fellow named Bob Greenstein. He started, I believe, in 1982. Brilliant, and he is surrounded by brilliant people. Very important, very impactful, critical to improving the lives of poor people.

But when we read their material, it was so wonky, and it was so hard to get through. Remember I have spoken to you, we've had several categories in our giving? We have those institutions that we have started ourselves. We have other institutions which we have not started but support in a substantial way, and provide value added. Then there is a group to which we only give money. The Center for Budget and Policy Priorities is an entity for which we provided enormous value added. So what we did is we approached Greenstein and told him we were concerned that although the quality of the work was tremendously high, the way they communicated, we thought, was poor. Would he be willing to have a consultant evaluate their communications operation? He said okay, sure.

So we jointly brought in a consultant, and X months later, he shared with us the report, which was a devastating analysis of how poor their

communications were, and laid it all at the feet of the CEO. I gave him enormous credit, because he didn't whine or defend. He said, "Let's change it." He agreed with what they had to say. He told us later that the first twenty-four hours were very difficult for him, seeing how deep the attack went and that he was largely responsible. But he made a top to bottom change in the communications operation such—and I enjoy this story enormously—a friend of ours at another foundation was talking to my colleague, Steve Daetz, and was saying, "Steve, I want to talk to you about X." They couldn't remember the name. "They are the ones with this incredible communications operation." They were talking about the Center. They had come lately to the Center. They couldn't remember the name, but they remembered they were the incredible communications operation. A fantastic change, and of course, it has enormous effect now, that not only do they have the best and deepest research, but they have the best communications and outreach. Step one.

Step two, much of the work dealing with issues of poverty take place in the states. They always had the state operations, but Steve in particular became very, very active with them in planning the improvement and strengthening of the state network. It was good before; it's a little short of sensational now. They are a real power in very many states, and we have just made an additional major grant to them over a five-year period to take them to another level. It's a challenge grant, so it'll bring in more money with it.

So we have taken an organization which we admired and it was terrifically effective, and taken it to an entirely different level. That's value added. We're not a pain in their ass. We are really providing something that they understand is important. Bob has made speeches in places, and he alludes to this publicly about how the foundation helped them to move to another level, and that we were indispensable. That's music to our ears, because that's really what we would dream about, is not getting in their way, but having suggestions which they agree with, but couldn't carry out until we did it.

11-00:56:24
Meeker: How do you find these communications consultants who do work that you can trust? I mean, the last thing you would want to do is send in a maniac.

11-00:56:33
Sandler: No, no. No. We checked around on who did this kind of work, who had a good reputation, and who did a lot of work in the progressive community. We knew one of the principals of the firm, although he was not on the assignment himself.

11-00:56:50
Meeker: The Center for Equitable Growth, and which there is an office in D.C. and Berkeley, I believe.

11-00:56:55
Sandler: Well, there are two centers.

11-00:56:57
Meeker: Oh, there's two centers? Okay.

11-00:56:58
Sandler: There is a Center for Equitable Growth at Berkeley, UC Berkeley, headed by Emmanuel Saez, who is one of the leading economists in the country. He is a recipient of the MacArthur Genius award, and he is also a recipient of the Clark award, which is for the best economist under forty. He is just over forty now. Emmanuel is a superstar. At first, we were going to create other centers at other places, such as Harvard and MIT, but we decided against that, and instead created something we knew we would create all the time, but we did it earlier, and that is the Washington Center for Equitable Growth.

I was looking for a sentence that might come close to explaining it. This is not a good sentence, but it'll give you the sense of it: "Compelling and growing evidence supports equality of opportunity, economic security, and broader participation as central to delivering stronger and more sustainable economic growth, and rejects concentrated income and wealth as a viable path to national prosperity." This is the anti-trickle down. Unlike trickle down, which alleges that by cutting taxes and reducing taxes to zero or a minimum for wealthy people is the way to do the best for everybody—that a rising tide helps everybody, which has been not proven; the contrary is true—this is the other theory. Unlike theirs, we actually have empirical support for ours, and much more growing—current research makes it more evident that we are on the right track. There was something I was going to say to you about this, but I just lost my thought.

Our advisory group of Bob Solow, whom I mentioned; Alan Blinder, who is a very distinguished economist at Princeton, who was vice chair of the Fed; Podesta; and then Saez, whom I just mentioned; and somebody by the name of Raj Chetty, who is an economist still under the age of forty, who I believe has a MacArthur award already and is likely to get the Clark Award. He was at Harvard, he's now at Stanford. In fact, those people are on the advisory board of the Washington Center for Equitable Growth, together with somebody named Jane Curry and a few other people. So it's a Who's Who of the most brilliant young—and in Solow's case, oldest—economists in the country are playing a key role, and it's headed up by a woman named Heather Boushey, who is a distinguished economist herself. They are starting to have an impact among the intellectual group that works in this area. My dream is that five or ten years from now, instead of people talking about trickle down, they'll talk about equitable growth, because that would be best for the economy.

11-01:00:55
Meeker: Do you hope that these organizations—the Center for Budget and Policy Priorities, Equitable Growth—will end up playing a role similar to CAP, or is their charge substantially different?

11-01:01:09
Sandler: Well, theirs is actually more academic. In a sense, what we are trying to do is something that the right wing did with the field of law and economics, in which they provided funding to economists to work on an issue. It's hard to describe this. There is a role for law and economics, and it was ignored at one point. Olin filled the funding gap, had everybody working on it, particularly people who are conservative or right wing, and the problem is that it went too far the other way, instead of going to a stabilized place.

We are trying to do the same thing, in a sense: to change the thinking from trickle down to equitable growth. At the beginning, the question was whether what we thought was the case in fact would increase growth. Now, based on the research that's been taking place, it's clear—more clear than it ever was—that that's more likely to be the case. In other words, growing from the middle, not growing on the top, would be best for everybody.

11-01:02:34
Meeker: Correct me if I'm wrong, but it seems to me that with the exception of the UC Berkeley Center for Equitable Growth—and that's at Cal, correct?

11-01:02:43
Sandler: Right.

11-01:02:45
Meeker: Putting healthcare and medical research aside, most of your funding has not been through universities.

11-01:02:56
Sandler: Yeah. When we did the Berkeley Center for Equitable Growth, I remember very clearly they have an advisory committee which is quite distinguished. I can recall two of the members—Alan Auerbach was one of the leading economists in the country, and David Card—and I am blanking on the third at the moment. I remember Allen Auerbach turning to me and saying, "Herb, I hope or I guess it's okay for you to watch paint dry." The answer is I know this is longer term, but if we can achieve the success that Olin did in law and economics, it will be extraordinarily important to the country and to the welfare of large numbers of people.

11-01:03:47
Meeker: Do you have any frustrations or misgivings about working with universities, or a preference for doing things out of—

11-01:03:55
Sandler: Actually, we do a lot of work with universities, particularly in science. Virtually all of our work there is done through universities. The problem is that you have perverse incentives in academia. Let's take the Washington Center. The question is we want folks to think hard about these issues. They are thinking about how do I get tenure? How do I publish? What do I have to do? And their timeline is different. I want action. I want to affect policy.

Many economists have no interest in the policy, and they don't want to deal with anybody. They don't want to deal with the press; they don't want to deal with the policymakers. That's a mistake. So that's a problem. There's all kinds of issues in the academy.

Another issue in the academy is if you need help, you can't hire—you are constrained by pay, so you can't get the best people. I don't want to digress, but we'll talk later about the Learning Policy Institute, which is an education think tank headed by one of the most important people in the country in the field of education, Linda Darling-Hammond from Stanford. One of the great benefits for her in leaving Stanford and heading up the Learning Policy Institute is she can pay the appropriate salary to somebody without going through a whole production, which you have to in an academic setting. So you get better people, or pay people more fairly.

11-01:05:37
Meeker: I know exactly what you are talking about.

[Side conversation deleted]

11-01:05:48
Sandler: Your next one after Center for Equitable Growth is PICO. That's very brief. That's an organizing operation, a faith-based organizing group, that works on behalf of the poor. This is kind of interesting. They have 1,000 member congregations representing 1 million families in 150 cities in seventeen states, and they are continuing to grow, and they are going to become a bigger and bigger factor in on-the-ground organizing and on-the-ground attempts to affect policy. They are surprisingly well managed, because organizing groups are very difficult to manage. A very high level of ethics, and extremely decent. They are extraordinary people. We have taken them from this level up to that level. We have pushed them on strategic planning, we funded them fairly aggressively, and they will tell you that we have taken them, just as I described, from a minor-league player to a major factor.

11-01:07:12
Meeker: Is this the one initiative that you have participated in that involves churches and faith-based communities?

11-01:07:20
Sandler: Well, at CAP, we created a faith-based center there, but that was part of a larger organization. But this is the only faith-based thing. We helped start a faith-based organization as part of CAP, and then made it independent. "Faith in Life" or something like that. I don't remember anymore.

11-01:07:46
Meeker: Within the foundation here, was there much conversation or debate about that aspect of it?

11-01:07:52
Sandler: Actually, it was interesting. John had this idea, thinking it was a good idea; we thought it was a terrific idea. Went out to some of our friends and other foundations; they all thought it was a terrific idea. Then, when we came to them later for money, they all said no. So I guess it must be edgy to some people. We don't care about edginess. We care about what's right, what will be helpful, what will be constructive, how do we help people. I don't worry about that garbage.

11-01:08:31
Meeker: What do you have next on your list?

11-01:08:34
Sandler: The American Constitution Society. That's the counterpoint to the Federalist Society. That's a half-success. It turned out—we did our research—that there—just a year or two before the time we are speaking of, somebody by the name of Peter Rubin at Georgetown started the American Constitution Society. It was a small operation. We got involved. There was some internal warfare going on. We stepped away from it for a while, and then it got its act together, and we have been supporting it ever since. It's a counterpoint to the right wing Federalist Society. Not as successful, not as powerful, but a force for good.

11-01:09:24
Meeker: What do you think it needs to do in order to become more successful and powerful?

11-01:09:27
Sandler: Well, it has to get a lot more funding. I have not been working with it as closely as Steve has, so I can't speak to the leadership. I think the leader is a competent leader. I don't know if she's a great leader or not, but I don't know enough to know.

11-01:09:46
Meeker: All of these initiatives where the foundation is playing more of a transformative role within the organization—you had mentioned the Center for Budget and Policy Priorities and the communications consultant—is that typically within Steve Daetz's bailiwick?

11-01:10:05
Sandler: No. No, no. No. No. In some of them, it is now. Steve does that one in particular. The one on the first part of it, the communication, was Marion and me. Yeah. He did the second part of it. Steve is terrific. He is an extraordinarily talented person, and of highest integrity, and values are as good as they come.

The next ones I have are quite interesting, actually. They are related to science. So the next one I'll call Central Line Infections, and it's the story of how we got involved in it that I think is so interesting. So Marion and I read the *New Yorker*, and we were reading an article by a *New Yorker* writer who is named

Atul Gawande, G-A-W-A-N-D-E, who is a Harvard surgeon, and writes in the *New Yorker*, and he has lots of projects. He was writing about something that took place at Johns Hopkins led by somebody by the name of Peter Pronovost.

It turns out that in the ICU—the intensive care units—that sick people end up in, unfortunately, there are always—they have catheters that are inserted in their groin or in their neck, and the infection rate is quite high. Pronovost developed a five-step checklist which, when I tell it to you, you will giggle, because it's so obvious. The checklist is wash your hands; fully drape the patient; fully drape the doctor, the surgeon; apply hexachlorophene or whatever at the site of the wound when it's inserted, when the catheter is inserted and when it's taken out. A, B, C, but it's not followed, and there is a very high infection rate.

So Johns Hopkins supported him in this, implementing this checklist at Johns Hopkins, and lo and behold, the infection rate reduced dramatically. Then he got a little bit of money from a federal agency to test it with the Michigan hospitals, which was 100-some odd hospitals, because remember, if it's successful at Johns Hopkins, that's a great university and a great hospital, but what about the average? Lo and behold, the same thing happened. Actually, there is some numbers. Let me just see if I could find that. Oh, gosh. Michigan saved 1,800 lives and $200 million annually. The national numbers are an estimated 250,000 cases of central line-associated bloodstream infections occur in hospitals in the United States, and an estimated 30,000 to 62,000 patients who get the infections die as a result. The costs of such infections is estimated nationally as $3 billion.

So in the article, he asks—Gawande asks—Pronovost, "Are you going to be rolling this out?" He says, "I'd love to, and we have requests, but I don't have the funding." So we chatted among ourselves, and we said, "This is crazy. This is crazy. You have a proof of concept, and it's going to save a ton of lives, and a ton of money." So we called Gawande, whom I did not know at that time; he has since become a close friend, and asked him about Pronovost, and could we meet Pronovost? He says, "Yeah, yeah. Call him. Here is his number. Here is his contact information." We called him, and then met with him over a period of six or nine months to make sure we fully understood what was going on. Then we committed I think a little over $1 million, and somebody from the board of Johns Hopkins met our challenge, and they had enough money at least to get started to do about 20 states. But what happened, of course, also is the agency that should have funded the whole thing in the first place—because they give money on dreams and he has a proof of concept, it's just implementing it—they did the other states. So it became a fifty-state rollout.

Why a checklist? I mean, you go back—because this is really incredibly interesting—during the eighties, there were a number of crashes of 747 planes. You have the pilot, who is the great god, and the copilot, who is a younger,

less-experienced person, and when you are doing the checking, sometimes the other person will say, "You know, this switch isn't working here," and the pilot—"Don't worry about it. I got it." I've had that. Then they crashed. The FAA changed all the rules. Everybody has to agree. So all of a sudden, the great god and the ordinary person are in an equalized thing, and you "Check," "Check," and if he doesn't say "Check"—and it's recorded now—they don't take off. That changed the crashes.

So he copied that, and there is a great thing. The surgeon is god, and the question is, does the nurse tell the surgeon, "Sir, you didn't wash your hands, I think"? You know what would happen if a nurse or a technician said that to a surgeon? They'd be thrown against the wall or out of the room. So they have to make them equal, and what they did, you have to have it directed from the top of the hospital, go to the training meetings together—"You are all equal." They had to change the culture.

So the bottom line is that by reading the *New Yorker* that day, we have participated in saving somewhere between 30,000 and 60,000 lives, and possibly up to $3 billion. Not bad.

11-01:17:27
Meeker: Not bad. What was the funding actually used for?

11-01:17:32
Sandler: The training. This actually turned out to be more difficult. They ended up needing more money, and so forth, and so on. It's a hard process. Pronovost is one of the leaders in patient health. So that's fascinating.

The next one is also in the scientific area, and I think I have talked to you about this before, but I am going to do it again with a little more focus.

11-01:17:58
Meeker: I don't think we've talked about it on camera—

11-01:18:01
Sandler: Which is Next-Gen.

11-01:18:03
Meeker: Yes.

11-01:18:04
Sandler: Yeah. Well, let's tell you how it came about.

11-01:18:10
Meeker: Can you define it, what it is, first?

11-01:18:12
Sandler: No. I'm going to tell you a story. So I was reading the *New York Times*, and it's a story about a fourteen-year-old boy in Wisconsin who had been in the hospital for months and months, who was expected to die shortly. His

temperature had gone all the way through the roof. They had made several holes in his head to reduce the pressure. They had tried everything; could not find out what the pathogen—or what was the sickness, what caused the illness, and he was clearly dying.

The doctor in Wisconsin was talking to somebody by the name of Joe DeRisi from UCSF, on something else that they were working on, and he mentions this boy, and Joe says, "Well, we are trying something here that may be helpful in diagnosing his problem." Then he says, "Well, he is going under in the next few days." DeRisi says, "Send it to us right now. Send us the spinal tap fluids." Within forty-eight hours, they came up with what the pathogen was, which he had caught on a trip a year earlier in Puerto Rico, a very unusual bug, very hard to diagnose. The UCSF methodology, able to identify it, and as luck would have it, it's unbelievably responsive to penicillin. So they loaded him with penicillin, and within a couple of days, he was up out of bed, and he is jumping around on trampolines and back in school, and so forth.

So because it's technical, I'm going to read some of these things. So it's a genome-sequencing test developed at UC San Francisco that can rapidly pinpoint the cause of a bacterial, viral, fungal, or parasitic infection from among a huge range of possibilities that is now available to help physicians nationwide to diagnose mysterious cases of neurologic infection in acutely ill patients. It's been validated in UCSF's clinical laboratory improvements laboratory, and it's approved for clinical use now. Incidentally, the cost to take the tests on this kid and do all the workup were in the hundreds of thousands of dollars. If that happened today and they sent the sample in, it would cost them a couple of thousand, and within X number of days, they would know what it was, and the kid would never have gone through the misery that he went through. And particularly with encephalitis and other neurologic diseases, it's very difficult to find out what causes it, because it can be a pathogen or it can be an autoimmune response.

Let's see. So it's meningitis, encephalitis, and doctors often have trouble figuring out why these tissues become inflamed, because these conditions can have many causes, including infection, cancer, and autoimmune. You are only guessing because you don't know, and you will give them the inappropriate treatment, which will probably expedite their death if it's inappropriate. So the new sequencing test overcomes this uncertainty by pinpointing the genomic signatures of a wide range of pathogens. There are 10 million to 20 million reads per sample, so they are going through all your DNA continually [imitates sound of intensely-working machinery] like this until they find the foreign substance that's not supposed to be there if it is, and if they don't find the foreign substance, you know it's autoimmune, so you know how to treat that.

In any event, I can go on and on, but to me, this is thrilling because we are starting with the neurologic—encephalitis, meningitis, et cetera—but it clearly

is going to be used for other things, and they are already testing it for sepsis, for pneumonia, and hopefully for a wide body of hard-to-diagnose diseases. This is the future of diagnosis. Marion was in the hospital at one time with something that nobody knew what it was, and she kept getting test, after test, after test, and of course, she is, at one time, in a coma, and another time, just awful, and it's horrible. You take one thing now, and in much quicker, you know exactly what it is. It is going to change everything.

11-01:23:29
Meeker: So the funding now is to help roll it out more broadly?

11-01:23:32
Sandler: Yeah. I got a friend of ours, Bill Bowes, who unfortunately recently passed away, to help me with the science, because he is much better at the science than I am. He is the founder of AmGen; he was a venture capitalist. He said, "Herb, high risk, but you are onto something. We should support this." And then since then, others have supported it as well, and it's now a major ongoing program, and where UCSF is going to be at the center, in which people can send these things and, for a couple of thousand dollars, find out within a week—and hopefully, at some point, more quickly than that—what the diagnosis is of something which has the potential to kill you. That one, having had a wife who has been in the hospital frequently, I have to tell you is emotionally unbelievably powerful, and it's very, very important.

There is another one in the science arena; I'll just mention it briefly. It's the Clinical Excellence Research Center at Stanford. This is quite interesting. Their goal is to reduce the cost of providing healthcare while at the same time maintaining or improving the quality of care. The reason I am really chatting about it now—otherwise, I might not have mentioned it—is that we have just had a pilot test which turns out to have worked.

This test was done on people who have serious cancer and are going to die in a year to a year and a half. Currently, what's done typically is a physician will prescribe drugs. There are perverse incentives here, because the oncologist gets 70 percent of his revenue from the override on drugs. What this one does is a low-cost health worker with a bachelor's degree is trained to engage veterans at the VA Palo Alto Health Care System with stage three and stage four cancer, and other types of similar cancer. What they do is visit with them personally, and then available over the phone, to help them articulate what they really want, because most doctors will not spend the several hours that's necessary with a patient and their family. They tell the patient what's going to happen if they take the drugs, and they try to do certain things—which usually means, incidentally, many emergency room visits and many hospital visits, and a terrible quality of life—or to have a more modified treatment with their help, and very large numbers in general have picked the second alternative, but in this case, they had a control group. It turns out that the patient satisfaction is significantly higher when they chose not to do the drugs, and

the costs are significantly, materially lower. So what you've done is you've improved the quality of life of the individual, their personal satisfaction at what they've done, and saved a ton of money.

This is just one of many initiatives that they are working on. The reason I am mentioning it, this was one of the earlier ones that—when they started on this thing, and they have got the beta tests now where it's been done in many hospitals, and the results are consistent. Incidentally, I have also discussed this with Atul Gawande, and he has the same studies supporting this particular result.

11-01:27:53
Meeker: It's interesting. I've done a fair bit of research on health care delivery systems, and what you are identifying is a problem that's particularly unique to the American healthcare system, in which we've had typically employer-paid-for healthcare, which, what that does is that it means that there is no cost to the individual, so naturally, they will seek the most expensive care possible.

11-01:28:29
Sandler: Even though it's something that will make their life much worse.

11-01:28:32
Meeker: Well, because you do have physicians who, outside of, like, a Kaiser system where the incentive is not the same—

11-01:28:40
Sandler: Well, there's actually two incentives here. One incentive is the financial incentive to prescribe drugs, because you get an override, and that nets the bulk of your income. But secondly, it's very difficult to spend a couple of hours, which is, at a minimum, what's necessary to explore all the alternatives, and options, and probabilities. It's also hard. You are talking to somebody you know is going to die, and you have to have that very difficult conversation. So you have to get somebody who is trained to do that kind of thing, and whose incentive is not result A or result B, but to let the person know, be fully informed.

11-01:29:21
Meeker: That's the innovation, and that's important, because we were talking about different models of single-payer systems. In other countries, it's actually the government who makes that decision. They take the onus of the hard decision about rationing care.

11-01:29:39
Sandler: Not necessarily. It depends on which form of single payer they are.

11-01:29:43
Meeker: Right, right. But it is so complex, because this involves emotion. It involves our feelings about death, and you can't get more profound than that.

11-01:29:53
Sandler: And the game from the right, where, oh, you have death—

11-01:29:57
Meeker: "Death panels."

11-01:00:58
Sandler: Death panels. Which is all garbage.

The last thing which is somewhat related to science is the Public Library of Science. Actually, we were chatting about it, and I realized that I didn't give you the best discussion. It was actually started by Harold Varmus, who is a Nobel Prize winner. Put it this way: he had an online petition initiative. The petition called for all scientists to pledge that from September 2001, they would discontinue submission of papers to journals that did not make the full text of their papers available to all free and unfettered either immediately or after a delay of no more than six months. Although thousands of people signed the petition, nobody moved forward with it. So Harold and his colleagues, Pat Brown from Stanford and Mike Eisen from Berkeley, started the Public Library of Science to establish journals in competition with those who had the monopoly on it to submit their papers there.

It's been quite successful. The idea of escrowing stuff that is funded by the taxpayers through the National Institutes of Health is crazy. What they have done is they've got the escrow time, the period in which it's not available to everybody, down to six months from two years, and it's made important changes. This was funded largely by the Moore Foundation and us. We were the only two funders of this thing. Moore was in first, and then we came in after that.

Again, how funny little things in life are, and they change big things. So Marion and I—and her brother was visiting, and we thought he would find it interesting to visit Joe DeRisi's lab. I mentioned Joe DeRisi in connection with the earlier initiative at UCSF. We are very close to him. We have been a funder of his ever since he got to UCSF, and he is a brilliant genius. While we were visiting him, I saw his wife was working—this is on a weekend, incidentally—over on another desk. I walked over; I said, "Susanne, what are you working on?" She says, "Well, I'm doing the final edit check on our first pamphlet" they are putting out in the biomedical area. I said, "Well, what's that?" She explained PLOS, and then Joe came over, and they explained the Public Library of Science and what I have just told you. I said, "Golly, that's interesting. I would like to find out more about that."

By coincidence, I was having dinner that night with a close friend, Tom Laqueur, and his wife, Carla Hesse, and I told them about my experience during the day. They said, "We know all about that. One half of the library budget at Berkeley is spent on a check to Reed-Elsevier, who has a monopoly on all these magazines, and we'd love to destroy that monopoly because they

are killing us, and other universities as well." So we did more research, did our due diligence, and I called Varmus, who is a friend, and he came and visited us, and that's how we started to fund it. Just, if Susanne weren't there, I never would have known anything about it.

11-01:33:46
Meeker: Have you seen it start to have an impact on—

11-01:33:48
Sandler: Oh, it has had a major impact. It hasn't had as much impact as it could have because the younger scientists who are trying to establish themselves are insecure—although less so today than they were five years ago—about publishing in a new journal rather than *Nature*, *Science*, *Lancet*. To go to PLOS, which is what Public Library of Science is called, is a little nerve wracking. The more experienced people, the people who have established themselves, have no problem, and we are starting to see more and more of the young people do it. At some point, I think they are going to blow the others out of the water, and the way they get the funding is, instead of being supported by people who have to pay monopolistic prices, we have the person submitting the paper pay a small amount of money to publish it. NIH and some others have agreed as parts of their—when they issue a grant, they will provide the funds to lessen the problem. I wasn't there from the very beginning—Moore was—but it was pretty exciting nonetheless.

So that's all I have on the science areas. The other thing you had told me you wanted to talk about was the Clean Credit Card Project [Safe Credit Cards Project]. That's pretty interesting. This I don't think you know. The idea for a clean credit card, which I will describe in a moment, came from Elizabeth Warren. She approached Pew to see if they would work with her to get somebody to do a credit card that was not one that tricked the holders, and I'll explain "tricking" in a minute. Pew had worked with us before on some things, and they really didn't know much about the financial world; they liked the project. So they called us and asked if we would partner with them, which we agreed to do. We established a committee. Two people from Pew, two representing our interest, and Elizabeth were the five-member committee, and we retained somebody to run it.

The credit card industry, you have no idea. Have you ever read your credit card document?

11-01:36:47
Meeker: Probably when I was younger.

11-01:36:48
Sandler: Well, it might have taken you that long. That's why you're older now. It's impossible to understand what your rights are, especially if you are somebody who might, from time to time, have a late payment, and I'll explain that in a moment.

In any event, the project, it was difficult, because, to be totally forthright, Elizabeth was very difficult to work with. Everybody on the committee was going crazy. We were trying it with a major credit card holder, to find somebody who would agree to do it the right way, because we wrote up a list of what the right things were to do. Then at one point, one of us—I don't know who it was—had the idea of let's get Walmart into this thing. They would be a major, major player, and they are not in the business now. It became a long negotiation with Walmart. I remember Rebecca Rimel of Pew really just loved Marion because she thought she was so sharp, and so straight, and so insightful. Of course, Marion told us very quickly, "You guys are kidding yourself. There is no way Walmart's going to do this, and they are going to con you along to learn all you know, and then they are not going to do it." She was totally right.

So we had wasted a lot of time. But actually, there was a good outcome, because we became so expert in the trickery of the credit card business that we were a major factor in the credit card legislation that ultimately passed, and I would say in that legislation, we got about 70 to 80 percent of what we were trying to get. We didn't get the whole thing. I can give you one example. We rated banks A, B, C, D. "A" rated banks were the ones that were the most clear, the most transparent, the most fair in their pricing, and the most straight in their communication. But we learned of some games that were played in which a bank would charge a very low APR—annual rate—but they didn't disclose—they hid the fees. So the one case I remember is that one of them which otherwise looked good—and you could never find this out by reading the material, because there were so many cross references that nobody would have the time to do it—it turns out that—let's say you had a late payment. Other institutions which did not look as good initially as that one might have a $70 cost, which is high for that. One of the "A" banks, it would have been $700 more. There was no way you could understand the language that resulted in that.

So we brought that to the Congressional staff that was working on the credit card committee on that, and they were blown away, and they couldn't believe it. Then they double checked and they found out. For the first time, they understood how deceptive the practices were. That resulted in the legislation. So although we didn't get the good idea that Elizabeth did have, we did get results, because we learned so much, and it was so clear because we showed exactly how it worked. So it was very exciting. Incidentally, there is billions of dollars involved in that.

11-01:40:52

Meeker: Do you think there is any chance in the future to get that clean credit card, or is that—?

11-01:40:57
Sandler: I don't know. There is so much money being made in this arena, and I don't understand why these people do it, to tell you the truth—why you can't just be straight and make money. But the reason to get a Walmart in: because they are so powerful, we thought if they would do it, they would force others to equal them, because they could just compare themselves with all the practices of the other. But that didn't happen.

11-01:41:27
Meeker: Did you get a sense of why they pulled out?

11-01:41:30
Sandler: I don't know. I don't know if it was just too difficult. Just, Marion sensed it way before any of the rest of us did. Yeah. And Rebecca never forgot that. She'll mention it to me every so often, that it wasn't me.

[Side conversation deleted]

11-01:41:59
Meeker: Let's do the Campaign and Media Center, and—

11-01:42:06
Sandler: It's the Campaign Legal Center. A second. They are an organization that has been working on campaign finance reform, which is a horror in this country as you know, redistricting, and voting. Here is an example. This was an area that was very important to us. We're outraged by the campaign rules in this country—or the lack thereof, as caused by the Supreme Court—the redistricting and gerrymandering issues, and the voting issues. After a lot of research, this was the leading place to place your bet on doing something effective. It was headed up by somebody by the name of Trevor Potter, whose name you may have heard because in addition to having been the former chair of the Federal Election Commission, he was Steve Colbert's attorney when he was pretending to set up a super PAC to run for president.

11-01:43:17
Meeker: Oh, really?

11-01:43:17
Sandler: Yes, yeah. A very smart, charming guy. When we looked at them, we saw they were very good, but they needed a lot more. So after a lot of due diligence, spending an enormous amount of time researching them with others, and spending time with their staff, we felt this is where we wanted to place our bet in this arena. But then we wanted to really empower them, to give them enough money to take them to another level—in essence, double their budget. They are in the process of doing that, and that has enabled them to retain as their senior legal person Paul Smith, who is one of the preeminent appellate legal lights in the country. He has argued before the Supreme Court nineteen or twenty times. He is going to be arguing the very important case from Wisconsin on redistricting, on gerrymandering and redistricting. Also,

Walter Schaub, who was the recent head of ethics commission who resigned because he finally figured out that ethics and Trump are incompatible with one another, and he has also joined as the head of their ethics operation. They have an all-star advisory board.

So our participation has enabled this operation now to have the power and the depth to really be effective, with actually one of the top appellate lawyers in the country now their senior person; decided to change his life from being a senior partner in a major firm to doing something really worthwhile. The same for Schaub. So that's pretty exciting. That's an example of creating change which will have an impact.

We recently agreed to support something brand new: the Alliance for Securing Democracy. Essentially, to make a long story short, it's a bipartisan effort to deal with what we've learned: namely, that Russia and Putin have played a major part in impacting how our democracy works, both in this country and in Western Europe. I'll just read something from there: "The U.S. intelligence community assessed in January 2017 that Moscow will apply lessons learned from its Putin-ordered campaign aimed at the U.S. presidential election to future influence efforts worldwide, including against the U.S., their allies, and their election processes." They are also ongoing across Europe, and we have to meet this challenge in order to understand this aggression. If Trump were not the evil person he is and he were a legitimate president, he would be spending all of his efforts not to hide from this thing, but to stop this.

This is the only organization, to our knowledge, that is working in this area. The head of it is Laura Rosenberger, who is somebody who was an advisor to Clinton, and Jamie Fly, who was an advisor to Marco Rubio. They have an unusual advisory committee which is split down the line between leading Republicans and Democrats, Republicans such as Michael Chertoff, Bill Kristol, and on the democratic side, Michael McFaul, Jake Sullivan, and so forth. So it's all of them from different parties who say, "We cannot tolerate Russia violating our processes and those of our other democratic nations in the country." Very important project, with some topflight people running it.

11-01:47:46
Meeker: What is the substance of the work that's being done? Is it all about technology, or is it—

11-01:47:50
Sandler: Well, actually, they have what they call Hamilton 68. It's a dashboard which tracks what the Russians are doing with their bots and their computer lineups, and how they are interfering with fake news and phony stuff going on. They have the talent and the expertise to understand this, and to report on it, and to work together with other countries in blocking it and stopping it.

11-01:48:16
Meeker: So creating of a technological bulwark, if you will, as a central part of—

11-01:48:20
Sandler: Right. But also, the information, getting the information known and out to the public. It's just the fact that we have a horror who happens to be the president, and who knows—who is most likely involved and benefited from it. Any other president in history, Republican or Democrat, would regard what Putin has done as an act of war. So we are involved in that.

11-01:48:45
Meeker: This is treason.

11-01:48:46
Sandler: Yeah. It is treason. But the Alliance which is totally bipartisan, will fight it and they are top people.

Just a couple left to go. The Learning Policy Institute, that is an education think tank. I alluded to it before. I'll just give you something quick, and then we can discuss it. It conducts and communicates independent, high-quality research to improve education policy and practice. Working with policymakers, researchers, and educators, community groups and others, the institute seeks to advance evidence-based policies that support empowering and equitable learning for each and every child. Nonprofit and nonpartisan, the institute connects policymakers and stakeholders at the local, state, and federal levels with the evidence, ideas, and actions needed to strengthen the education system from preschool through college and career readiness.

Susan Sandler is one of the leading thinkers in the country, in education policy. Very close to Linda Darling-Hammond, who is kind of like the guru. Linda is the president of it, Susan is the chair, and they are effectively working on a series of reports and working together with states with their legislation. Linda is the go-to person throughout the country; not just California, where she is a major factor, but all around the country who want to work with Linda to get their input. It's all evidence based. It's not, oh, I have a theory, and I'm going to do this, that, and the other thing. So much in education is theory without knowledge. What we are interested is in evidence. Connect the evidence with the policy people, educate them, and then come out with programs to effectuate that. It's going to be a very important operation, and we are getting bigger—more and more support.

11-01:50:53
Meeker: What sort of policy issues are being adjudicated?

11-01:51:03
Sandler: She has been forecasting the teacher shortage, and she's had an enormous impact on this. If you go on the website, you will see all kinds of policy papers which are in the process of being implemented in California and in many other states.

11-01:51:22
Meeker: Are these about broader educational policy issues at a state level?

11-01:51:27
Sandler: Yeah. Be aware of the problem, and now that we—this is the problem, let us tell you how you address the problem, and how you solve it, and then how you put it into legislation. They'll call her to help with the legislative wording.

11-01:51:43
Meeker: So the audience would largely be legislators for this kind of work?

11-01:51:45
Sandler: Well, obviously, all kinds of other policy people, and other people who want to know more about these areas. But yes, ultimately, a lot of this is legislation. School boards come to her, and educators come to her, and her staff. Yeah. It's a terrific organization, actually. A first-class board of directors, first-class staff, and growing, and we are getting more financial support as well.

Probably lastly, something that I saved for last because it's one of the most recent, and in a way, it probably speaks to my soul in ways maybe more than others. It's Civil Rights Corps. In this country, we have a shameful system throughout much of the country with respect to criminal justice as it affects poor people. A big issue in that arena is bail. Are you familiar with bail?

11-01:52:57
Meeker: Explain the process.

11-01:53:59
Sandler: You get arrested, Martin. It happens more to poor people in a lot of southern states, but it's throughout the country. You get arrested for something, and you haven't been proven guilty of anything. They bring you in, somebody there—not necessarily a judge—says, "The bail is $5,000." You don't have 5,000, you call a bail bondsman, you give him $500 nonrefundable—10 percent—and you give him the 500 bucks, and you never go to jail. "I don't have $500." I go to jail. I might be there a day, a week, a month before trial. I'm innocent. But because of money, I'm in jail. That's unconstitutional. It's also shameful, and an outrage.

I'll just mention a second issue, and then I'll go back to the first. I am reading Dickens right now. I am on a Dickens roll. I have finished Trollope several times; now, I am on Dickens. Remember debtors' prisons from your Dickens days?

11-01:54:15
Meeker: Yeah.

11-01:54:16
Sandler: Do you know we still have debtor's prisons in this country? You can't pay a debt, you'll end up in jail? You can't pay a fine? You're not guilty of anything.

So this young man, Alec Karakatsanis—K-A-R-A-K-A-T-S-A-N-I-S—Harvard Law School graduate, about thirty-three, is outraged by this. Unlike

most, where you make little changes to it, he wants to blow that system up. So he is attacking the bail system as it affects poor people, and he is winning case after case, after case. A major case in Harris County: a conservative southern judge with 193-page opinion found the practices to be unconstitutional. Cook County, similar decisions. We are talking about thousands, and thousands, and thousands, and thousands of people.

I know that I shouldn't do this, but let me just read something that somebody else said about Alec that encapsulated so much. This is a person who is making this statement, it's a very distinguished, important person in the civil rights/civil liberties area talking about Alec. They are not in the same company or anything like that. "First, the impact of Alec's efforts on the broader criminal justice field reaches far beyond even the significant impact of his own organization's effort. To be clear, they have developed an ambitious and impressive docket, and have selected jurisdictions in which to maximize their impact and leverage. But as importantly, even more importantly, his leadership on these issues has blazed a trail in which other legal and advocacy organizations have followed. The ACLU, the Southern Poverty Law Center, the NAACP Legal Defense and Educational Fund all now work on these issues as well, but had it not been for Alec's early leadership on these issues and his early staking out of a bold new legal strategy, I would dare say these other organizations would not have such robust and developed efforts."

This is just one more little thing in here. It talks about how unique his view was, and he says, "In one of my earliest conversations with him several years ago, he described most criminal justice litigation as having a marginal impact on a system that was fundamentally corrupt and needed to be imploded. Tinkering around the edges of a broken system to make it a little bit more fair and a little bit better was not his strategy. Instead, he wanted to find ways to deconstruct large parts of the criminal justice system that need to be dismantled rather than made less bad." That's somebody that turns me on, because it is an outrage. Why, if I have $500, do I walk out and not spend a night in jail, and I don't have $500 and I spend time in jail—weeks, possibly, having been proven guilty of nothing? He's winning victory after victory, and even southern conservative judges are saying, "My god, I didn't realize we are really doing this."

I'm going to read you one more thing.

11-01:58:11
Meeker: What is he replacing it with?

11-01:58:13
Sandler: Nothing. What you do is you ask the question "Do you have the money?" Obviously, if I had $500, if they'd let me go, it means I'm not a risk. Having $500 doesn't make me less risky, does it?

11-01:58:31
Meeker: So the idea is that the court determines if you are a risk, and if you are, you don't go no matter what?

11-01:58:36
Sandler: If you are a risk, then there are other considerations. On most of these minor things that are going on, there are about 400,000 people in jails as we speak every night who are being held because they don't have the money. If they had the money, they'd be home. Doesn't that blow your mind?

11-01:58:58
Meeker: Right. And it's typically these bail bonds companies that circle around all the jails.

11-01:59:05
Sandler: They are fighting him tooth and nail. They've hired two of the most expensive right-wing attorneys in the country. The attorneys representing the bail bond industry are Paul Clement, who is very well known for the right-wing causes, and Charles Cooper, who was the attorney on the gay issue, for the church, for the Mormon Church. So that's who's on their side.

One of his brilliant insights to understand this thing is his ability to tell a story, and his descriptive language. I've pulled something out because it's had such an impact on me, and I'll be interested in your reaction. This is in a complaint he has on one of his cases, okay? "Once locked in the Jennings jail"—that's the city of Jennings—"impoverished people owing debts to the city endure grotesque treatment. They are kept in overcrowded cells. They are denied toothbrushes, toothpaste, and soap. They are subjected to the stench of excrement and refuse in their congested cells. They are surrounded by walls smeared with mucus, blood, and feces. They are kept in the same clothes for days and weeks without access to laundry or clean undergarments. They step on top of other inmates whose bodies cover nearly the entire unclean cell floor in order to access a single shared toilet that the city does not clean."

"They huddle in cold temperatures with a single thin blanket, even as they beg guards for warm blankets. They develop untreated illnesses and infections in open wounds that spread to other inmates. They sleep next to a shower space overgrown with mold and slimy debris. They endure days and weeks without being allowed to use the shower. Women are not given adequate hygiene products for menstruation, and the lack of trash removal has, on occasion, forced women to leave bloody napkins in full view on the cell floor where inmates sleep. They are routinely denied vital medical care and prescription medication, even when their families beg to be allowed to bring medications to the jail.

"They are provided food so insufficient and lacking in nutrition that inmates are forced to compete to perform demeaning janitorial labor for extra food rations and exercise. They must listen to the screams of other inmates being

beaten or tased, or in shrieking pain from unintended medical issues as they sit in their cells without access to books, legal materials, television, or natural light. Perhaps worst of all, they do not know when they will be allowed to leave."

11-02:02:05
Meeker: These are people who have not been convicted of a crime?

11-02:02:08
Sandler: Not convicted of a crime, and if they had the $100, the $200, or the $500, would not be there.

11-02:02:17
Meeker: Yeah, it's outrageous.

11-02:02:21
Sandler: What do you think of that description? This is the way he writes.

11-02:02:24
Meeker: Right. Well, I mean, it's horrifying, and it sounds like something from centuries past.

11-02:02:29
Sandler: Yeah. Incidentally, he doesn't talk about people being jailed—he talks about them being put in cages, because that's what it is. Not guilty person, didn't beat anybody up. That's why I'm turned on, because I want to change the world, and this kid is doing it.

Now, what we did with them—after a lot of due diligence, because this is a thirty-three-year-old kid—is we've helped him to professionalize, to build a team, brought in some experienced people, and now they are both growing the management group and growing the team, and they are all trying to emulate him. The other senior people are pros, so—

11-02:03:19
Meeker: Is this being run basically as a legal aid and policy nonprofit?

11-02:03:25
Sandler: Their primary foci are the bail system, debtors' prisons, militarization of the police, the way the prosecutors work, the for-profit parole/probation—do you know that in many cities, what they do is on parole, they don't provide the supervision. They hire a private company, who charges enormous fees to people who can't afford the fees, so they are trapped for their lifetime in this system of fees.

This youngster has seen the outrage. It's like *Alice in Wonderland*, and it exists in our country. That's why I'm saying there are judges who are essentially very conservative who are saying, "I can't believe this is happening." Do you know in some cases, the amount of bail is set by a judge who shares in the payment for the bail? There is a case of somebody who is in

jail, had a cut, a wound; wanted to get a bandage. If he couldn't pay for it, they wouldn't give him the bandage. This is going on in our country today, throughout the country. Here is somebody who gets it, and who is doing something about it, and winning case after case. Because it is an obvious outrage.

11-02:04:59
Meeker: Is he involved in what has been called the "prison abolition movement" as well?

11-02:05:03
Sandler: I don't think so. I don't know, no. Just, somebody who worked in the public defender's office and other places like that, and I think the Justice Department, wherever else. He is remarkable. He is brilliant, he is creative, he is passionate, he is driven, and he is effective.

11-02:05:25
Meeker: For these inspirational upstarts, do you think it's most appropriate for them to start off and create something of their own, or might it be more effective to work within established organizations?

11-02:05:45
Sandler: Actually we discussed that with him. He was in a partnership with an old friend of his, and they ended up having a battle, disagreement, and they separated. But I thought maybe he should be at a place like the ACLU. He made a determination. "It's because the ACLU," he says, "is terrific, but they carry certain baggage, and I want to be seen as coming at it just from a different perspective." So I think ACLU would have been delighted to have him. I think they admire him enormously. But he did give that thought, but he rejected—. I was concerned, and that was part of our due diligence, is whether that was an ego decision. But on reflection, and as I get to know him more and more deeply, I think he is just driven. He is just driven to be as effective as he can be.

11-02:06:44
Meeker: Well, he has a prophetic sense to him, I think.

11-02:06:45
Sandler: Yeah, yeah. You are right. He really has that aura about this kid. There was somebody we knew who had a lot of experience, a little older than him, and I introduced them, and they hit it off, and he has joined him. He is somebody who has been in the Justice Department. He used to be in charge of the Washington office of the Center for Responsible Lending. He was at, actually, the Open Society Foundation. He is a very experienced professional, and the two of them get along, then they brought in a third person. I mean, we made it happen. We've taken him, struggling, and together with the Arnold Foundation, who was very involved, and Chan Zuckerberg that's involved, and we have just taken him to another level now.

11-02:07:42
Meeker: I think you might have just answered the question that I was sort of wanting to get to, which was why I was pushing a little quickly, but that is to talk about the Sandler philanthropic network. That's not on there; it's just something that I've been thinking about the more that you are talking, and you just talked about how you put these two people together who you've already known. Is this what you see as a central role for the Sandler Foundation, is being able to connect people who might not otherwise know one another?

11-02:08:20
Sandler: Yeah. When we see an opportunity, we suggest that "We've been through that issue with that organization. Why don't you guys talk?" So when the expansion of the Center for Budget and Policy Priorities, the state network was growing, we suggested they speak to Anthony Romero at ACLU and Geri—I'm blanking on her last name—who runs their affiliate program, because they had done a growth initiative which we were involved with as well. They did, and apparently learned a lot from it. Because these are all people working in separate fields, but within the umbrella of helping people.

We do that, and we provide a lot of help going to people who we know in the foundation world whose values and interests encompass a particular organization, and bring them to the attention of each other. We have a very good reputation for picking organizations with terrific leaders. I've heard that from a lot of third-party people, so I'm not smoking my own—drinking my—

11-02:09:44
Meeker: Pipe?

11-02:09:45
Sandler: Yeah. Yeah. I mean, we feel that way, that we are particularly good at that, but I've heard Larry Kramer tell people about our ability to consistently pick great leaders, and the Arnolds have said the same thing about our extraordinary success in picking the right leader.

11-02:10:04
Meeker: Can you think of any examples of any meetings that you've helped arrange that have been particularly synergistic and resulted in—

11-02:10:15
Sandler: Well, I think this thing with the Center for Budget and the ACLU is one. But you are going to interview Steve, aren't you?

11-02:10:23
Meeker: Yeah, I think so.

11-02:10:24
Sandler: Oh, yeah. Ask him. He is younger and has a better memory.

11-02:10:27
Meeker: Okay. Shall we move on to the reflections?

[Side conversation deleted]

11-02:10:39
Sandler: When you had asked about references bringing together different not-for-profits, so when Learning Policy Institute was starting, they had issues about budgets and certain technical issues about that, and getting the 501(c)(3). Some of their issues were very similar to those faced by ProPublica X years ago. So we recommended that why don't they talk to the folks at ProPublica, and it ended up they saved them a lot of time and energy and effort by taking something which really wasn't that complicated but with which they didn't have the experience, and that was very helpful. So there is a lot of that that goes on.

We've introduced PICO to a whole bunch of entities here, both for PICO's benefit but for the other entity's benefit, that they had something in common, and if you would work together, you might be more effective. We have done things like that as well. Since they are largely within a community involved in the same kinds of issues from different perspectives, there is a fair amount of interchange that goes on, and when we see it, when we see an opportunity, since we are meeting with them and discussing their plans and their aspirations, we say, "Oh! We know somebody who has had something similar, or who is doing something similar. You might try to talk with them." Yeah. A lot of that.

11-02:12:12
Meeker: Have you ever thought about sponsoring—I don't know if a conference would be the right format, or like a weekend getaway for people from all of these different facets to go together and talk about their areas in which they overlap?

11-02:12:31
Sandler: Marion used to have this question she always asked: "What is the good business reason for doing that?" It's kind of a romantic idea, and the question is, is it relevant in our situation, and is there some major benefit rather than introducing A to B and so forth? It's the kind of thing: is it a feel-good thing, or is something really going to come out of it?

11-02:12:56
Meeker: Well, like your investment in basic research, you don't know if something's going to come out of it, but—.

11-02:13:05
Sandler: I would like to do a lot more due diligence than that.

11-02:13:07
Meeker: All right, all right. Well, you just brought up Marion, and—I'm sorry—she passed away in two thousand—

11-02:13:19
Sandler: June 1, 2012.

11-02:13:20
Meeker: Two thousand twelve. In the months and years leading up to that sad date, did she ever express to you her hopes and dreams for what the Sandler Foundation would be working on in the years to come?

11-02:13:42
Sandler: I don't think we think like that.

I think you may have looked at a piece on us from *Inside Philanthropy* called "The Sandler Way: Where Big Philanthropy Meets the Art of Common Sense." I'll just read a couple of lines. This is by the head of *Inside Philanthropy*, a very smart, sharp guy, David Callahan. "If you hang around the more professionalized precincts of philanthropy like big-name foundations where there are armies of Ph.D.s or major consulting firms, the business of giving large amounts of money can seem awfully complicated"—parens—"(hence, all those Ph.D.s)"—close parens. "But if you talk with Herb Sandler, as I did recently, it sounds pretty darn simple. What makes Sandler's mega-giving simple is that it's guided by commonsense strategies that are obvious when you hear them laid out. Plenty of other living donors from business backgrounds embrace those same strategies, as we report here often, so while Sandler's interests and investments have been quite distinctive, he is emblematic of a cadre of new funders that is reshaping philanthropy, and along the way running circles around controlling and overstuffed foundations that are over-thinking how to achieve change."

Then he goes through lists of things that drive us. So what we're interested in: is there something that can be done here that will have an impact on large numbers of people in a favorable way? What is the mission of this organization that purports to work in that area? What is the quality of its leadership? Does it fill a gap? Is there potential leverage? Using his language: "Focus money where it can make a big difference." I mean, these are his headlines, not necessarily my headlines, although they are similar: "look for leverage points"; "obsess over due diligence"; "back great leaders"; "provide long-term general support." I think this is as good a piece that's been done on us of anybody. He caught the essence of a lot of what turns—.

So did we think great ideas? It's hard to think great ideas. The world is full of problems, and people's lives are much worse than they have to be. What's frustrating when you look at the way our government works is really so many of the issues and problems can be resolved. Let me just take an example: health care, in which, I am not an expert. Aside from that small group of people that really don't think poor people should have health care paid for by the taxpayers, most people know what needs to be done to take Obamacare to a point where it creates more good at less cost if you took the politics, and the gamesmanship, and the nonsense out of it. So many, many issues can be affected by rational, careful, honest thought devoid of hidden agendas for personal gain, or what have you. We look for things there. So when you

looked at—staying in the science area for a moment—the central line infection, the clear problem with large numbers of deaths and enormous cost, and you can do something to change it. We couldn't have sat in our beds thinking great thoughts and come up with that. The real world impinges all the time.

So if you look at what we focus on, we advance policy change, and we divide that into three areas—and actually, it's a joke, those three areas, because lots of what we do could belong in one, two, or all three areas—policy development advocacy; exposing corruption and abuse to produce systemic reform; and strengthening research networks and/or capacity. There is so much good we can do there with the right people and the right focus, and it's sad that we have to fight for it, because most of it, large numbers of Americans would support if arguments were produced thoughtfully and intelligently. Actually, an analogy I just thought of: it's kind of like taking those poor folks with twelve to fifteen months left to live with cancer. Just be honest and lay out all we know about what will happen if you pursue this piece of action, or you pursue that piece of action. Most of us will come to a conclusion that makes sense. Most of the things we work on can have the same thing happen, and it's outrageous to me that you have to fight it because of greed. Usually, it's greed and money. Then in science, the other area we are involved in, support innovative scientific research and improve health. That's pretty much the same.

We didn't think like that. We were problem solvers and advocates for ways to solve problems, and to improve people's lives. Impact guides us. So take ProPublica: it's really very thrilling in our short life to have won three Pulitzers—or is it four Pulitzers? I think it's four. Four Pulitzers, and being a finalist three times. But that's kind of surplus-age. It's nice. What counts is did we stop a corrupt or evil activity? If we did, that's how we keep count. That's how we keep score, and that's in everything we do. In CAP, did it advance ideas that help people? Did it help them come to fruition? In the Center for Responsible Lending, have we stopped financial institutions from destroying the income and lives of large numbers of poor people? We've saved tens of billions of dollars for poor- and moderate-income people through Center for Responsible Lending and others working together with them. That's how we score ourselves, and that's what turns us on. But we weren't thinking great thoughts. Sorry.

11-02:22:30

Meeker: The Sandler Foundation, you said before, is a spend-down foundation. I assume, though, that the spend-down will continue after you are no longer here?

11-02:22:43

Sandler: I was going to say, what time is it?

11-02:22:45
Meeker: [laughs] Let's hope that that's not right around the corner. Which would mean that your two children will take over the helm of this.

11-02:22:56
Sandler: It's really three people. It's Susan, Jim, and Steve. Everything will stop upon either the death of the latter of the three, or if none of the three are any longer involved. We have worked out a plan, which is in writing, and it's reviewed at least two times a year, to what will happen with whatever money might be left in the foundation on those triggering events.

11-02:23:34
Meeker: Do you want to share that, or is that a private—

11-02:23:35
Sandler: Well, in general, it would be we wouldn't want anybody cut off suddenly, so there'd be a period of time for which they would receive money, which would take them to a certain period of time. Other than that, I wouldn't go into any more detail, but it's—we know what our—so if we all died now, there is a clear plan for how the balance of the funds would be divided up, and it would be to the institutions that we're now supporting in particular ways, which are all spelled out.

11-02:24:09
Meeker: Now, you had just said that there are no big ideas—

11-02:24:14
Sandler: Oh, there are big ideas—It's like an executive comes in and he puts his feet up on the desk, and he says, "Let me think great thoughts about what I'm going to do with this company." We don't believe in that. Marion and I never did—

11-02:24:30
Meeker: Well, I guess, what kind of conversations have you had with Jim, Susan, and Steve about—let's say they are interested to work on this for the next ten, fifteen, twenty years.

11-02:24:42
Sandler: Yeah. Well, first of all, the one thing they shouldn't do—it always made us laugh—is "What would Herb and Marion have done?" That's [inaudible]. There'll be new issues coming up, new things to think about. What I know is how they think, what their values are, how they make decisions, how their minds work, and it's solid. They are all three solid. They all have different talents and strengths, as do all of us. But their values are terrific, and they care about the right things, and they arrive at decisions in the right way.

None of us are always right. We are always making mistakes. We are all frail. They'll do the best they can with the issues that are before them at the time. I remember the largest company in our industry when we were in business was Home Savings and Loan, and there used to be these innumerable arguments: "What would Howard say?" That was Howard Ahmanson. That was

ridiculous. So there is no ego here. I just know that they'll use it to help large numbers of people.

11-02:26:26
Meeker: Looking back on the work of the foundation, can you think of what the greatest challenges have been?

11-02:26:42
Sandler: I guess they are all challenging. Things come up. So for example, the predecessor organization to Civil Rights Corps was Equal Justice Under Law, where Alec and his then-partner Phil, who were best friends for ten years, suddenly wanted to go in different directions. Funders like us which were sold on the team suddenly were confronted with this issue, and what to do, and who's really the key, or do we just want to run from this situation? That's a kind of issue.

The due diligence, your mistakes are A, you don't do good due diligence, or you do good due diligence and something changes, and you have to deal with that. But they are not larger issues than that. So we have always felt that we should be doing something in the criminal justice system—putting aside Alec's work now—but we found it very difficult to find an entity that would come at the problem in a way that we felt could be most effective. We met people we liked and thought were able, but the way they came at the problem was different than ours. Environment is a very difficult area. We are particularly interested in climate change, and there is so much that can be done, you want to make the right decisions so that you can have the most impact. But that's part of decision making, and if you have a process and a way of understanding the issue, and figuring out solutions and approaches, yeah. Have we made mistakes on people? Yeah, sure.

11-02:29:18
Meeker: Do you want to talk about any of those mistakes, and if they've resulted in helping you rethink your process?

11-02:29:25
Sandler: Well, one mistake I will take full blame for is—I am not sorry for what we did, but I'm sorry we didn't address it sooner—was ACORN, an organizing operation which worked on issues affecting poor people. Well intended; terrible management, in ways some of which we didn't know, and others of which we found out too late. Marion saw it more clearly than I did, and said we should move away from them because these are—the senior management was a particular guy, a guy who really was in control who was not trustworthy. I thought it could be solved by bringing in a consultant to help them improve their management, and Marion says, "You can't. It won't happen." She was right, and then they got into trouble through that guy, incidentally. So that was a good call on her part, bad call on mine. That was because I liked their mission so much, and I didn't follow my own rules. That's one of the very rare mistakes.

Another one was working with somebody who turned out to be not as straightforward as we thought. By accident, at some critical point, as they were moving, we found a memo which indicated that he was prepared to not be honest with us in order to have us do a certain thing. With us, that's a no-no. Once you lose trust, no matter what the level of competence is, you just don't want to be in business with that kind of a person. We obviously had not seen that coming. That was a shock. Those are two of our two big mistakes, I think, and I'm not sure how much a "mistake" I should call it. That was really deception more than anything.

11-02:31:58
Meeker: More of a disappointment than a mistake.

11-02:32:00
Sandler: Yeah. There was another one early on in our experience where our funding at that time, in this particular case, was for a particular program that they felt was very important, and we provided funding for that program. Anyway, they stopped the program and used the money for something else without telling us. So had they come forward and said, "Look, we have something more important," or something this, that, and the other, that would have been fine with us. But by not being straight with us, that's the death knell, because you want a situation in which everything is aboveboard, and honest, and transparent. We should be that way towards them, and they should do the same for us.

11-02:32:58
Meeker: You really start to ramp up your funding twenty years ago, or thereabouts.

11-02:33:02
Sandler: In the nineties, I guess. Yeah.

11-02:33:03
Meeker: Yeah, in the nineties. Going back twenty years now, are there any issues or any organizations that you wish that you had made a great investment in because from where we are now, you wish that you could have been more ahead of the curve on particular issues?

11-02:33:25
Sandler: No. Actually, we're a major giver. Our philosophy is fewer grantees, bigger grants. So we've always been a very big hitter. We have many grantees that get $3 million, $4 million, $5 million. That's big. I mean, that's as big as or bigger than Ford typically does, or any of the others. Not as big as Gates does, but we are much smaller than any of them. No.

11-02:34:04
Meeker: Do you have advice for the Chan Zuckerbergs of the world?

11-02:34:12
Sandler: Well, they are pretty smart.

11-02:34:13
Meeker: Okay. You don't think that they need your advice?

11-02:34:16
Sandler: Well, I think there are areas of difference. For example, as you know, Chan Zuckerberg has made this enormous funding towards science, and I know a lot of the people they called on for advice, and they would have been the same people I would have called on. Then they have their committees, and the person who is running it, there is a woman named Cori Bargmann, and I've checked her out and she is outstanding. The person running their UCSF bio hub is somebody we have been funding for twenty years and we think walks on water—just a brilliant genius, Joe DeRisi. I mentioned him before. They picked him. I mean, anybody who picks him, it means that their process is pretty good.

I am interested in knowing more about their education program because I think Susan and Linda really understand it better than most, and I hope that they get to know each other, and to share ideas with them. I think that is it possible that we could be helpful in that area, but I don't know enough about it to comment.

11-02:35:43
Meeker: There's been some critique of younger philanthropists who are coming along and maybe not having such a clear idea of how they can have impact, and maybe their funds get spread too broadly and not as deep. Do you ever have interactions with people sort of coming on the philanthropic scene who share values but—?

11-02:36:16
Sandler: Yeah. For example, I have two calls in the next few weeks referred to me by heads of other foundations who thought that we have knowledge in an area in which they are interested, and they are referred to us. That happens a lot. One of them quite large, actually. So I have had a succession of people come by, and we share thoughts, and we are open and transparent. Just as people were open and transparent to us, we are to anybody who is serious.

11-02:37:00
Meeker: Do you have any concern about an emerging atmosphere of competition among foundations? I mean, what if a foundation that has similar values as you says, "You know what? I really want my name on a CAP-like organization," or "I think CAP could"—

11-02:37:18
Sandler: Couldn't care less. Yeah. Totally irrelevant. If they give more money and it's something I'm interested in, I'll make their name bigger than they ever dreamed. But I haven't really come across that kind of thing.

11-02:37:33
Meeker: So you feel like the foundations that share the values of the Sandler Foundation work together reasonably well?

11-02:37:40
Sandler: Yeah. I mean, the foundations that we are close with, we are particularly close with Larry Kramer at Hewlett, and I think very highly of him. I think very highly of Laura and John Arnold. I think very highly of Rebecca Rimel. I think Ford does a lot of good stuff. Yeah. We work with them, and we call each other. Very open, very friendly. Yeah. I never came across the issue you raised about the competition. I don't know what that world is. I can't even—

11-02:38:23
Meeker: I don't even know if it exists.

11-02:38:24
Sandler: Yeah, I can't imagine that.

11-02:38:25
Meeker: It's a hypothesis, just based on this assumption that a lot of people who get into philanthropy had a previous experience being very successful in business, and to what extent is the business acumen and appetite for some competition—

11-02:38:51
Sandler: The basic issues that come up are where somebody is not interested in a field you are interested in, and then that's fine, because there are things that they are interested in that we are not. It doesn't make us right, or wrong, or anything; it's just what we see out there that we think we can do something about that's meaningful to people other than ourselves.

11-02:39:14
Meeker: So there's no frustration, for instance, when Chan Zuckerberg comes along and takes a piece of Joe DeRisi, if you will?

11-02:39:21
Sandler: No. It's actually a compliment. I feel good about it, and I'm happy for Joe.

11-02:39:32
Meeker: What do you think about the greatest successes—and this is where you do have to talk in a not-so-modest fashion—of the Sandler Foundation? What are you most proud of that you've helped to—

11-02:39:51
Sandler: Actually, I'm pretty proud of most of what we've done. Let me make some overview comments.

So you remember my parents. My grandfather on my mother's side was a farmer in a shtetl someplace in what was Austria. Never spoke English. My grandfather on my father's side I never met. He was a barber. My mother was

a very nervous woman, although my father's problem maybe had been a cause of that, and my father was a gambler. On the other hand, there was an enormous amount of love coming from both my father and mother, despite her neuroses and nervousness and his addiction. My brother, as you know, was spectacular. Kind, generous; very protective of me, as you may remember, when he discerned that he was destined not to be happy, and he wanted to make sure that I didn't have the problems he had.

So with that background, putting aside the terrible things that happened—which is my brother's early death at sixty-two; Marion, who was my life—I can't say it's early, but too early for her, and for me; and the fact, as you know, that my daughter has a brain tumor problem—and putting aside the stories that were done—the only negative stories ever on us, in the *New York Times* and *60 Minutes*, despite all the things that have happened since to make it clear that they really no longer think those stories are accurate, especially Tim O'Brien, this apology—who was the editor of the *New York Times* story, and is holding me out as a leader of ethical and excellent management—I have been very lucky.

I assume John spoke of Marion to you. Somebody beyond anybody's dream of intelligence, warmth, decency, kindness, caring, compassion. I was never bored in fifty-one years. We could discuss any subject on anything, and she always had interesting, fascinating ideas, and it was nonstop with us for fifty-one years. So I had an incredible wife. Children turned out amazingly good. I don't know how much time you have spent with them. They could have been spoiled easily by our success, and they weren't. They are both people with great values, caring, compassionate, intelligent, giving. In Susan's case, whatever funds she has are all being given away. Jim's, there will be something for their children, but independent of the foundation, they have their own giving, as does Susan now, and he'll be giving away most of his money. So, god, they turned out to be great, and our relationship has been fantastic.

So that's incredible luck. Then, largely because of Marion, we end up having this incredible record in the business for forty years, in which we establish a record of increased earnings per share of more than anybody in the history of American corporations other than Berkshire Hathaway. A bunch of kids. That was very rewarding, and we did it as a couple. Then we take the money from our business that we made and we are giving it away. If you were to ask any of the people that I mentioned—Darren Walker of Ford, Larry Kramer of Hewlett—I'm talking about the ones who know us best—Rebecca Rimel, Laura and John Arnold, and many others—they will tell you that we are sui generis, we punch way above our weight, we have had more impact, we have a particular knack of picking great leaders who accomplish great things.

So I've been pretty damn lucky, except for the three or four horrible things I mentioned. If I drop dead tomorrow, it would be a fantastic life. Except for the

sadness of my brother, and Marion, and Susan. Those answer any of your questions?

Actually, I came across something the other day, and I didn't even know I had it. Three brief things. This is from a guy named Davis, Chris Davis, who is the head of the Davis Mutual Funds. One of his reports to his mutual fund shareholders, he says, "Concluding thoughts." This is to his shareholders. "I would like to end this letter by thanking a husband and wife who left the bustle of Wall Street more than thirty-five years ago to start a small savings and loan in California. Offering a single commodity product, adjustable-rate mortgages, funded primarily by retail deposits, Herb and Marion Sandler built Golden West Financial into one of the most admired financial institutions in the country. As owner/operators, they watched expenses, avoided fads, and managed risks better than anyone in the business. Building a record of earnings per share growth that is virtually unmatched over this period by any public company, along the way, they treated their shareholders like partners, communicating with complete integrity and old-fashioned decency. Their annual reports are like textbooks for how to run a financial company, and their financial statements are models of transparency.

"On May seventh, they announced the sale of Golden West Financial to Wachovia, ending one of the great chapters in financial services. At today's price, the shareholder of the Davis New York Venture Fund have made over $1 billion in our holding of Golden West. We thank Herb, Marion, and their first-class management team for their stewardship and for their example." I don't think they've ever written anything like that. At least, they told us that.

His associate, his partner at the firm—I wasn't going to do this, but I'll—just, this is pretty good—"In the fifteen years I have been in the investment business, I have met hundreds of CEOs, and you and Marion are at the top of the list of great business leaders. The integrity, sound business judgment, shareholder stewardship, and aversion to risk exemplified by you, Marion, and other Golden West senior managers was the highest I have seen in my career."

Just two more quotes. This is one of my favorites. It's written by somebody I mentioned who is a very unusual person. His name is Ken McClain, and he was the chief of staff to Senator Proxmire, and at one point after Proxmire retired, we retained him as a lobbyist, I guess, an advisor. Actually, I would walk into office, and they would greet him as "Senator McClain" because he was really a very special human being. I'll just read just the beginning of this. It was very meaningful to me, particularly because of who Proxmire was. "I want you to know how much I have valued our relationship over the last eight years. I have had the colossal good fortune to have worked for two men of absolute integrity and unimpeachable character during my career: Bill Proxmire in the Senate, and Herb Sandler in the business. Indeed, you two are so alike in the ways you think and act that my transition from the public to the private sector was scarcely noticeable."

There is just one more, possibly, if I can—. Oh, I guess Jim Leach. Remember my appearances on the *New Hour*? I was always on with Chuck Schumer and Jim Leach, who was a moderate Republican from Iowa who followed us closely, and this came after the *Times* story: "As far as I am concerned, criticism of your management of Golden West is the greatest irony in the modern-day history of finance. No major financial institution in the country was more conservatively run." He was on the banking committee. He was the most knowledgeable guy on that committee, with Schumer. "Indeed, your competitors criticized you for being too much of a stickler for high standards, and not leveraging your resources and product lines," et cetera, et cetera.

Those are kind of important to us, because they were all from knowledgeable observers who followed all the companies closely. It was nice to see what they really thought when they didn't have to say anything.

11-02:52:27
Meeker: I'm actually trying to think of any last questions that I have to ask. I think that you've really addressed the questions that I have.

11-02:52:39
Sandler: Well, you can come back and get me. You know where I am, Martin.

11-02:52:42
Meeker: I do, I do. Yeah. I'm sort of looking at some of these issues and wondering if there is different ways at them, but I don't think so. I think you've covered it.

11-02:53:01
Sandler: There is an article in the *Stanford Social Innovation* magazine on us which is listed in the media items on our website which is kind of interesting, because they discuss how one should evaluate foundations who do advocacy. Essentially, what they say—and not in these words, but essentially that we really understand advocacy. Instead of checklists and this, that, and the other, it's making others great and able to do things which they otherwise couldn't, and we are cited as the exemplar of that kind of thing. Since advocacy is a big deal, it was interesting to read that. Yeah.

I am an advocate, very much, for general support. That's a mistake I think too many foundations do make, although I think it's improving. A number of major foundations are changing, and in large part due to our advocacy. That makes us feel good, too.

11-02:54:37
Meeker: Why don't we end there?

11-02:54:40
Sandler: Okay.

[End of Interview]