Richard C. Blum

Conversations with Richard C. Blum:
Businessman, Philanthropist, President Emeritus Board of Regents University of California

Interviews conducted by
Victor Geraci, Ann Lage, and Lisa Rubens
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Foreword by Mark Yudof, President Emeritus, University of California

The renowned businessman Jack Welch once said that “before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others.” Richard Blum is a prime example. My good friend and mentor was born eighty years ago in a hospital that is now part of the University of California, and he later earned two degrees from his beloved university. In 1968 he established Blum Capital and made a great success of it, and that began a journey of personal growth. Whether it was the purchase and sale of the Ringling Brothers circus, his entrepreneurial forays into Asia, his service on the Northwest Airlines board, or in countless other ventures, Richard Blum marshalled his considerable talents and insights and grew into a world class global investor and business person.

Through his rise in the business world, Richard grew in other ways. He remained the steadfast loyalist to UC. Every successive dean at the Haas School of Business knew he could be counted on for moral and financial support and for wise counsel. For a time he matched alumni gifts to the annual campaign. He also climbed mountains, befriending the great Edmund Hillary, trekked in various parts of the world, grew to love Nepal and Tibet, and advised the political leaders of San Francisco and California. Out of this grew the American Himalayan Foundation in 1981, a brilliantly conceived effort to provide on the ground assistance to impoverished peoples in the region, to build real and metaphorical bridges, to rescue young women from childhood slavery and prostitution—to do concrete things for real people on the ground. Dick was successful in growing others, in enabling countless individuals and families to achieve their dreams. Out of his Asian initiatives grew a life-long friendship and mutual respect with His Holiness the Dalai Lama and a commitment to freedom for the Tibetan people. In 2010 Dick’s passion to address poverty in poorer nations led him to conceptualize and fund the Blum Center for Developing Economies. The Center houses the most popular minor on the Berkeley campus, sends hundreds of energized undergraduates into the field abroad, and has introduced micro-technologies to alleviate the plight of poor people in countless ways (more efficient stoves, clean water, and health care, for example). The work of the Center has now spread to other UC campuses and is making its way around the world. In my judgment it is the most innovative effort to harness the synergies of technology and student engagement to alleviate global poverty since the creation of the Peace Corps more than fifty years ago.

And out of his interest in San Francisco politics came brilliant financial advice to the leaders of his hometown, and, most notably, a life-long love and commitment to one special and gifted leader, Dianne Feinstein, the woman he married in 1980. Dick is very proud of the senior senator. He never tires of telling people that, when they married, he decided to keep his maiden name. Dick frequently joins Dianne in Washington, and over the years he has grown more interested in national and international matters. He has advised Presidents Obama, Clinton and Carter on economic policy. With his good friend, former Secretary of State George Shultz, and others he has pressed for elimination of nuclear stockpiles. He has advocated progressive tax policies that often work to his personal detriment. He worries about economic inequality in America. In all of this Richard Blum is fearless, insightful, outspoken and honest.

I first met Richard when he was Chairman of the UC Board of Regents, a post he held from 2006-2009. I was amazed that he could work his way through the deadly politics of the state and university and recruit me as president of the University. I have never encountered a Regent with
all of Dick’s attributes: courage, smarts, tenacity, vision, integrity and generosity. He inspired me, mentored me and enabled me to grow. He stood by me in the tough decisions; he is always the steadfast friend. He is courageous in speaking his mind, in resisting bullying, and in challenging mediocrity. Richard and others brought the university out of the dark ages in terms of managing its debt and issuing bonds for needed academic buildings. He fought tenaciously to revise the University’s pension plan, so that it would always remain sufficient to meet its commitment to retirees. He pushed and pushed—and successfully so—to ensure the safety of Memorial Stadium and other structures endangered by earthquakes. He created the hydraulic to substantially reduce expenditures in the Office of the President, which had massively risen over the years, largely through neglect. He defended the faculty and the critical importance of research at UC. He befriended and advocated for the students. Throughout, he enabled others to grow and to be more successful in serving the University.

Richard Blum never feared to speak the truth—the man has guts—whether to Governors, fellow Regents, students, staff, faculty or media. In that sense he is politically sensitive, but in the last analysis politics do not rule the day. Sometimes he was resented for his candor, but, in the end, Richard Blum always did the right thing for the University of California. And for that he was universally respected. I am confident that those who peruse his oral history will reach the same conclusion.
Richard Blum is a force of nature. He is an extraordinarily successful businessman, a generous and engaged philanthropist, a visionary public servant a man of indefatigable energy and curiosity.

Between 2009 and 2014, three different interviewers conducted 14 interviews, averaging an hour and a half in length. Some of the interviews took place in San Francisco at Blum Capital, the company he founded and the headquarters of the Himalaya Foundation; others took place on the University of California’s Berkeley campus, either in The Bancroft Library or in his office at The Blum Center for Developing Economies. These very locations embody his accomplishments and legacy.

These interviews cover and document his background, the forces that shaped him, the people who most influenced him, the challenges he has faced in the various realms in which he travels, ranging from the highest peaks of the Himalayas to the pinnacles of academia, business and political leadership. These interviews also exhibit his vast knowledge and catholic interests, whether discussing the history of Buddhism, of brokerage houses in the U.S. or national and state politics. The oral history illuminates as well the creative energies that drive him and that are nourished by a spiritual sensibility and profound sense of right and wrong.

The first four interviews were conducted by Victor Geraci, at that time ROHO’s associate director, whose skills as an American historian help situate Blum’s life in the context of larger events and developments in the United States. When Geraci retired from the Oral History Center, Ann Lage, a seasoned oral historian who among other areas of research has specialized in university history, conducted the next five interviews focusing on Blum’s role as a member and President of the UC Board of Regents and his creation of the Blum Center for Developing Economies at UC Berkeley. After Lage retired, I conducted five more interviews, revisiting previous topics such as his early interest in Tibetan refugees and the development of his business and political life. We brought his involvement with the university and the Himalaya Foundation up to date and continued the narrative of his business interests and involvement with organizations such as the Brookings Institution and the Carter and Clinton foundations. Inevitably the reader may note some repetition, yet in successive iterations Blum offers details and new insights that enrich our understanding of the complexity his life.

Richard Blum is candid and articulate. He tells good tales, informative and witty. His humor is often self-deprecating. He worries about whether to continue writing a memoir he began long ago, yet we know this oral history is not a definitive account of his life. And he is more than willing to respond to some of the critics who closely watch the activities of the powerful and well connected. But the through line in these conversations is his commitment to what he calls his “venture philanthropy,” his efforts “to figure out new things to do to make a difference.” As he states in his oral history: “We’ve had some spectacular years and some spectacular investments. That’s how I’ve been able to fund all this other stuff that we do. With some of the people in the investment world, enough is never enough. I actually believe that once you have taken care of your family...you ought to devote your efforts, if you have a sensible way to do it, to those who are less fortunate. That’s what I’ve done. So I’m pretty happy about it.”
While the oral history concludes with some reflections on his many accomplishments, there is no neat ending. Richard Blum remains vigorous, enthusiastic and indefatigable. “I am even more curious about more things than I ever have been before,” he remarks. Now in his late 70s, his schedule remains jammed. Among many other commitments, he has countless phone consultations and board or advisory council meetings. He travels, extensively and widely and still leads treks to Nepal—a recent trip included Jimmy Carter. He maintains a broad network of good friends and engenders the loyalty and support of colleagues and staff. And of course his relationship with his wife Dianne Feinstein and their large family is a continuing source of strength and inspiration. His life and activities will continue to merit further documentation.

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It is a pleasure to be interviewing you. I’d like to start this first interview with a look at the multigenerational role of your family in the development of your life and career. From there, future interviews will launch into your professional career and philanthropic life. I think the theme for today’s interview is Richard Blum the young boy, your parents, and grandparents. What are the influences in growing up that I think all of us, our past family, and our youth, really do mold what we become in this world. I’ll leave it kind of open-ended and we’ll start with that, and then I’ll be sure and come in with some questions to help you spark a few memories.

Sure. Well, by way of background, my father was born in New York City and my mother was born in El Paso, Texas, although essentially she grew up in San Francisco. My father was a manufacturer’s representative selling robes and raincoats. He was given the territory of the Western United States, headquartered out of San Francisco. They met around 1933 and were married about a year later. I was born in what is now a UC property, which is Mount Zion Hospital in San Francisco, in 1935. We first lived in a flat on Funston Avenue. I think the cross street was Funston and Clement. A few years later my father built a house out in Ingleside. This was about 1938. My only other sibling, my brother, was born in thirty-eight. Shortly thereafter, we moved out to what is known as Ingleside Terrace, which is a couple of blocks from Stonestown. I went to public high school, grammar school and university.

Let’s back up a little first. Names of your parents and your one sibling.

My father’s name was Herbert Gustav Blum. My mother was Louise Natalie Hirsch. Part of the family goes back to Richmond, Virginia, 1720, but most of the family came from Germany, France, in the Alsace Region, or Switzerland. If you drove to all the places that they came from, you could probably cover them in one day. The only grandparent not born in the United States was my father’s father, and he came over in the 1880s, 1890s, or maybe even before that.

So these are people that had immigrated early in American history?

Yes.

Now, you say your father was a representative for this company. This is during the Depression?
Blum: Yes.

Geraci: So that must have been some tough times financially for the family?

Blum: Yes. I don’t know how much people spent on robes and raincoats.

Geraci: That’s the reason I’m asking.

Blum: Yes. I think he did all right. He managed somehow to get six or seven thousand dollars to build this house out in Ingleside Terrace. It was a nice home. It had two and a half bedrooms and two baths, and was a nice sort of middle-income existence. My father unfortunately passed away when I was quite young, of breast cancer, of all things. When he was forty-nine and I was ten and my brother was seven. So my grandmother and mother played a major role in those formative years. This is my mother’s mother. My father’s mother lived until the time I was about ten years old, but she lived in New York. In those days, people didn’t move around a lot, so we never did meet her. She was from Richmond, Virginia, and it’s her family, the Wallersteins, that went back to Herman Wallerstein about 1723.

My mother’s grandfather was an interesting character. He came from a place called Dieburg, Germany, which is not far from the Rhine or the French border, and came to Colorado for the silver boom. He was an engineer but did not do well in the mines because he had asthma. I learned all this recently because my brother and I, for the first time, went to El Paso, Texas, and found relatives. Soon my grandfather started running out of money. He had some silk shirts and he started selling his shirts to meet his cash flow. He had a relative, I guess a cousin, near Rochester, New York, who was also from Dieburg, Germany, who sent him more and more supplies. He wound up basically being in the outfitting business for the miners, and he would either get paid in cash or had a piece of the action.

In those days, the dollar was tied not only to a gold standard, but also to a silver standard. We later abandoned the silver standard. As the price of silver collapsed, all those mines that you see when you ski around places like Aspen and Vail sort of closed down. In those days, of all things, in the 1880s he went to Catalina on vacation, and eventually had a home on Catalina. I always wondered how the heck you got to Catalina. The only thing I can figure was there was a transcontinental railroad, and they must have taken a stage to wherever the train was and got on it. Probably around 1890s, best I can guess. He also bought a thousand acres in mid-Wilshire for four dollars an acre. So you say why did the family have to work? Well, a year later he sold it for five dollars an acre.
These are stories that I heard from my uncle, who lived to be ninety-three, ninety-four, passed away a half a dozen years or so ago. He said he was all set to move to Los Angeles and somebody said, “Oh, you don’t want to go to California. It’s too far away. Nothing’s going to happen there. Not a very good call.” So he sold the land and moved to El Paso, Texas.

About that time, you had railroads reaching El Paso from different directions. It was really the Wild West. He reestablished his clothing business, the Union Clothing Store. It’s the oldest continuing business in El Paso, Texas. I’d never seen it before until, actually, earlier this week. Thanks to Mark Yudof, the President of the University of California, who used to run the Texas system, the people at UTEP, University of Texas at El Paso, were very helpful. We learned a lot about where the homes used to be and even saw where our great-grandparents were buried.

In 1920, my great-grandfather established a successful business there. Union Clothing. It’s still there. The story goes that he did a lot of the business with Mexico and that Pancho Villa was a customer of his. My question was how he got the merchandise, and I wonder whether he paid for it? Unfortunately in 1920 both he and my grandfather died, so my grandmother was left as a fairly young widow in her early thirties. For reasons we are not quite sure of, they had friends here, maybe some relatives, and they left in about 1922 for San Francisco. My grandmother never married again. As I said before, my mother met my father here. So both my brother and I grew up and went to the public schools in San Francisco, and went to the University of California at Berkeley when it was seventy-five dollars a semester, a very different day.

Geraci: What is your brother’s name?

Blum: My brother’s name is Robert.

Geraci: Okay. So you and Robert just got to go there recently?

Blum: This week.

Geraci: That’s amazing.

Blum: After seventy years. We’d never been there. I was flying across the country. I have my own plane. He was coming to visit his son out here. So I said, “Look, why don’t we go to El Paso.” My brother, since has retired from Gilead Pharmaceutical, is tech savvy, which I’m not, so he has been doing all this research on the family. It’s amazing what you can come up with. For example, he found out what ship my grandfather, on my father’s side, came over on,
and he was able to download a copy of the document. You’re talking the
1880s. The names of all his brothers and sisters. What I thought was curious
was that my grandfather, he also died in about 1918, the other one who I never
knew, Grandfather Blum, was about five-foot-five. Being six-foot-four, I’m
not quite sure exactly how I got that tall.

01-00:11:50
Geraci: How that fits together, right?

01-00:11:51
Blum: Yes.

01-00:11:54
Geraci: Yes. It’s always amazing how we get back to our roots later on. There are a lot
of questions about who we are and how we got there, and I think a lot of that
plays into this. Now, you’re a young boy, you’re born in San Francisco. What
are your reflections or recollections of the San Francisco of that era?

01-00:12:18
Blum: Well, I think it was a very different city. In most ways, not anywhere near as
interesting as it is today. If you look at the richness of the culture you have in
San Francisco. I mean, at some level, you have had it since the day it was
started. Because in 1850, when the city was started, with the Gold Rush, they
went from a pueblo of five thousand people to a city that was the seventh
largest in the United States in a matter of a few years. So you had people
really on the beach, so to speak, in the harbor speaking a dozen different
languages. People occasionally say, “Well, when did the Chinese come here?”
They came here at the very beginning, because they came to build the
railroads. In fact, the name for San Francisco in Chinese is Jīn Shān, in
Pidginwhich means Old Gold Mountain. They still call it that today.

The neighborhood where we lived was kind of Irish, English, Protestant,
Catholic. It was a nice middle-class neighborhood. We never locked the door.
The kids came home from school and kind of ran around the neighborhood,
played football, rode bikes, did whatever we did, pretty much what we wanted
to. I went to Commodore Sloat Grammar School, which was just about four
blocks away. I think we had a pretty happy childhood.

01-00:14:26
Geraci: Within your family, were there places that you traveled or hobbies or things
that you enjoyed doing?

01-00:14:32
Blum: We used to go to Lake Tahoe and occasionally to Pinecrest. Fallen Leaf Lake
at Lake Tahoe was usually where we went during the summer, and then it
seems to me after a few years we started going to Pinecrest. I remember as a
kid going to the Feather River Tavern. For kids growing up, that was fine.
Geraci: This was camping type trips or cabins?

Blum: No, cabins. I do remember when I finally got to be eight or nine, there was a YMCA camp, which is now the Lair of the Bear, and has been for fifty years at Pinecrest. A couple of us got liberated to go to camp instead of being with our parents. It really was, for a seven- or eight-year-old, really liberation. We could stay up and talk as long as we wanted and not be closely monitored.

Geraci: Now, one of the little things that came up—I guess it was about that age that you’re talking about—is a story about you selling lemonade.

Blum: My oldest friend, and I’m still in touch with him, is a guy by the name of Phil Fehlen. He’s actually a retired Marine. He lives in Oceanside, just north of San Diego. We started kindergarten together, and we had something which was known as the Blum and Fehlen magic show where we performed really pretty basic magic tricks, and not very well. Hey, we were just ten years old or whatever we were.

Geraci: You were just a kid.

Blum: We did these shows out of our garage. I remember having two shows in two consecutive days, or maybe it was two consecutive Saturdays. I don’t think we had expenses. It was just our gross. I think it added up to twelve dollars, and we got in the streetcar and went out to the Shrine Hospital, which is still where it was back then on Nineteenth Avenue. We wanted to give them the money to help the kids that were in the hospital. So the interesting thing is that one of our major projects today in Nepal, outside of Kathmandu, is a very modern state of the art hospital, particularly for the poor. It basically is the model of the Shrine Hospital.

Geraci: Interesting. This is a good segue to get into what are your personal values? Were these values taught by your parents, your grandmother, the community that surrounded you, other relatives, teachers, or mentors?

Blum: Well, I would say this. Both my grandmother and mother, I don’t think they had a lot of money. They had enough to get by. Enough money to send me to Berkeley, but not to Stanford. I was an exchange student at the University of Vienna for a year. The way I got there was by working two or three jobs during the summer.
Geraci: Let’s stop there for a second. If I remember, you were a philosophy major while you were there?

Blum: Yes.

Geraci: Why the choice of philosophy?

Blum: Well, it’s a bit misleading, because I looked at the courses. I always had an interest in philosophy, but I didn’t speak German. So the courses were fairly limited in terms of what you could choose. Then I found out that kids in Austria mainly studied in high school and not a lot in college. There was one professor I do remember who I’m sure thought he was the reincarnation of Emmanuel Kant. He was totally fascinating, but his class was at three in the afternoon and my last class before that was at eleven. After three times in a row waiting around until three o’clock and having him not show up, I gave up on the course. A lot of us, knowing we had limited amounts of time, would take, shall we say, extended leaves and would just hitchhike around Europe.

Geraci: How old were you at this time?

Blum: Twenty-one.

Geraci: It’s interesting to me that you would choose at that point to leave the country to try and go to a foreign school. Were many students doing that at that time?

Blum: You know how it came about? I read an article in the Daily Cal that talked about this exchange program that was actually sponsored by—I think they still exist today—the Institute of European Studies. It’s really a Catholic sponsored group out of Chicago, used to be on East Wacker Drive. It was a junior year decision, maybe late sophomore. If you think the bureaucracy around here is bad now, it existed then. I said, “What do I have to do to go to Vienna but still graduate on time?” And they said, “Well, you have to get all your requirements.” I had taken the required courses for my major. You had to get all these courses done and then you could go to Vienna and take whatever electives you wanted to get the number you need.

Geraci: It’s like a semester abroad.

Blum: Yes. So the year before, I killed myself taking way too many units in all these hard courses, and studied, and I got it all done. Two weeks before I was ready
to go to Vienna, they called me into the administration building and said, “Oh, we wanted you to know that we made a mistake. You can’t spend your last year off the campus and get credit for it. Your senior year has to be at Berkeley.” I said, “Goodbye. I’m going anyway.” So here was a case where I actually killed myself to get all these things done based on the advice I’d gotten. So I had to come back. I think I was able to finesse it with a summer session or something.

Geraci: To make it work.

Blum: Yes.

Geraci: Let’s just backtrack for one second. What about high school? We talked a little bit about elementary. What about high school years? Were you interested in any sports, clubs?

Blum: Yes. High school was a good high school; it was a good public school then and it is now. Lowell High School, in San Francisco. I was on the golf team and swim team, and I was on the basketball team for a little while. Frankly didn’t do very well, so I stuck with swimming and golf.

Geraci: Did you have your height then?

Blum: I also tried out for football one year. I was at that awkward stage where I think I grew a foot in three years.

Geraci: And your coordination hadn’t quite caught up to that amount of growth?

Blum: Yes, that’s about right.

Geraci: Happens a lot. So just a typical high school student? Anything special?

Blum: Yes. We had a good time. It was a good school. I had a bunch of friends that go back to high school that are still around, I still see them. It was the fifties. Fifties were a different period. People say, “Gee, you must have gone to Berkeley in the sixties.” I said, “No, I went to Berkeley in the fifties.” It was the calm before the storm. I occasionally, when asked to do a commencement speech—I did the School of Engineering last year, the business school a number of years ago and the commencement address at USF—they want me to talk about kids today taking a risk when they get out of school. You might
as well take one in terms of your employment, because you’re at risk anyway, because businesses come and businesses go.

But in the fifties, there were certain immutable truths. That General Motors was the largest corporation in the world, now about to file for bankruptcy. Bank of America was the biggest financial institution in the world. Barely avoiding bankruptcy [now]. It kind of went on like that. Life was pretty predictable. I don’t think anyone foresaw what the sixties was going to be like. I’d say the most uncomfortable thing in the mid to late fifties was what was going on in the campus here with the McCarthy hearings and the loyalty oath, which then, of course, a few years later turned into the Free Speech Movement and the Vietnam protest. The Civil Rights Movement, the assassination of the Kennedys and Martin Luther King. The world’s never been the same.

Geraci: But you were here before the big storm arrived?

Blum: Yes.

Geraci: When we think of the 1950s in America, what was San Francisco like?

Blum: I was pretty liberal back then. It was interesting. When I started as a trainee at Sutro and Company, as a junior analyst, I was a Democrat. That world was all Republican. It was also segregated. There were essentially three major Jewish brokerage firms: Sutro Company, J. Barth, which Warren Hellman’s father was the CEO of at that time, or managing partner is what they call them, and Schwabacher and Company. I could not have gotten a job at Dean Witter. Now, all that changed years later. You never saw a woman in the place that was anything other than a clerk or a secretary. The world was lily white. You didn’t see African Americans, you didn’t see Hispanics. Maybe you had a Chinese doing some lesser important job. So I think today equal opportunity, while it’s certainly not perfect, has come a long way since then.

Also, when I was accepted to Berkeley, my mother had evidently written a letter saying how she had gone to school at Berkeley, and my uncle had gone here. I never saw her letter, but I have the letter that Robert Gordon Sproul wrote back to her, where he clearly signed it. Her name was Weinstein. That was after my father died when I was ten. I had a stepfather. His name was Morty Weinstein. The letter said, “Dear Mrs. Weinstein: I’m happy to know that graduates of the University of California have sons that, if accepted here, tend to be good students.” By the way, I was never quite sure whether my mother graduated. Doesn’t matter. Clearly, it was a personable letter that was signed by Sproul rather than some e-mail coming out of some computer someplace.
Geraci: That’s amazing, considering that he probably was doing this for all of the new students.

Blum: I assume he was. You’re talking about 1953. If we had 10,000 students, it was considered a mammoth campus. I don’t know how many letters he signed.

Geraci: So you entered Cal in 1953?

Blum: Yes.

Geraci: One of the things that you mentioned in talking about this, even though you have this middle-class, as you put it, maybe lily white background, are these liberal tendencies. Is this geographic? Has it just been that San Francisco has this, or was it something in your background? I take it you grew up Jewish?

Blum: Yes. I grew up Jewish. But as I said, there’s a difference between the East Coast Jews and the West Coast Jews. East Coast Jews are way more Jewish than particularly the ones in San Francisco. Los Angeles is different, but I’ve always described San Francisco as an East Coast city that just happens to be on the West Coast. If you think about L.A. and where it comes from, it is that way. This is a time when if you look back in the forties and in the fifties, my guess is that most of the mayors, the Roger Laphams, the George Christophers and so forth, were actually Republicans. Or maybe it was George Christopher was the last time we had a Republican mayor of San Francisco. It is a town that is eighty-some odd percent registered Democratic. The concept of a gay community didn’t come in until probably realistically in the 1970s. A lot of these neighborhoods like Clement had at least three, four hundred Asian restaurant stores that are ninety percent Chinese. The Sunset was all Irish-Catholic. It’s almost all Asian today. Union Street, which has kind of been a going place for thirty, forty years, or like some of these other streets, that’s where your laundromat was. The neighborhoods were essentially boring. The Mission was always, to a certain extent, Hispanic. The ethnic mix of the city was really very different. I think the crime rate was about zilch in terms of serious crime.

Geraci: You seem to be very typical of this era of San Francisco. For some reason, even though there were a lot of Republicans here, it’s a conservative community in many ways, yet it’s still one of the liberal bastions.

Blum: No, it was never conservative. I would never have said San Francisco was conservative. It was middle of the road. Look, I was first registered Republican, but I never voted for one, because my grandmother was the only
one I talked politics with and she was a registered Republican. The interesting thing that happened to me that changed that—frankly, you’re talking about Eisenhower Republicans. All those Eisenhower Republicans today, intellectually, spiritually, and any other way, would be Democrats. They just would be. This is what’s wrong with the Republican Party. It’s got some extreme elements from the cultural wars. It’s one of the reasons they have lost a lot of the business community, because the evangelists and the guys from Wall Street do not have much use for each other. In fact, they tend to hate each other, yet they’re all Republicans.

What changed my mind was after I went to school in Vienna, I had this real interest in foreign investment, foreign trade, and actually got my master’s degree in foreign marketing. This is when the old trading companies were in the process of dying out. I was one of the young partners at Sutro and Company. John Berle had an investment club, and I knew John. We put twenty-five dollars a month into this investment club, which I didn’t have. My mother gave me the twenty-five bucks. I came to the conclusion talking to a few young brokers that they were doing well, so I went to see John and another guy by the name of Claude Rosenberg, who unfortunately passed away. He went to Stanford. He was at Barth. I knew Warren Hellman. I went and talked to Warren about it. My brother and I and Warren Hellman went to San Rafael Military Academy for two years after my father passed away. My mother was working in my father’s business, then met my stepfather, and remarried.

But the point of this was when I was at Sutro, I got to know a company we eventually invested in. It did economic consulting work abroad and did a lot of AID contracts. I’d actually started to work on a Ph.D. here in economics in this area, which I was doing part-time while I was an analyst at Sutro and Company. Knowing that I had this interest in development, which obviously has grown asymptotically since then, that they had a contract from the Marine Corps and what turned out to be I-Core. This is the area where the Tet Offensive hit six months later. They had won the hearts and minds of the people in Tet. This is the fall of 1968. When I was willing to go with this Marine colonel and go look at some of these villages and come up with some plans on how we could get some small economic scale businesses going there.

It was amazing what you could get away with in those days. All the war correspondents who wanted to know about what was going on in Vietnam went to Saigon. Once you got to Saigon, you would have some general or colonel with a blackboard and a map tell them what was going on, where we were winning, and where we were not gaining. Very few correspondents ever got much past Saigon. Never mind that every night you could hear the guns going off, the glasses on your table rattling while you were eating dinner in downtown Saigon, and the sounds of guns coming from just the other side of Tan Son Nhat Airport, which is still a main airport in Ho Chi Minh City or in Saigon.
So we flew up to the CV base. It’s not Kam-ranh Bay. It’s up in the north, at Danang. We stopped at other places, but we stayed at Danang. Once you went into the village in the town of Danang, you saw these huddled masses. You went in a jeep with sandbags in case something blew up in front of you. I remember the first thing that happened is a bus went by us and the two Marines that were in the jeep with us pointed their weapons at the bus with a bunch of kids in it. I said, “Why are you doing that?” He says, “Well, my buddy had a grenade dropped in a jeep like this yesterday or the day before.” So then we went to these villages, and they were anything but pacified. These poor villages were huddled, just trying to stay alive. The difference between war and peace is whether they were hitting your village or not. If nothing was going on, they would go back to conducting their lives. So they were okay. But we were on top of a hill and you saw a village that was maybe a mile away and North Vietnamese fighters were attacking it.

The whole idea of us coming to this pacified land and working something out was a complete lie. I came back when I was through, wrote my report, and reregistered from a Republican to a member of the Peace and Freedom Party. I was audited for many years after that. By the way, I haven’t been audited in probably twenty years since then. I was led to believe that for having done that, I was on Nixon’s list. I never was able to clarify Nixon’s enemies list. If I was, I’m proud of it, but I could never prove it.

Geraci: I think a lot of us were on government lists in those days.

Blum: Yes, right.

Geraci: Let’s backtrack a little.

Blum: But it’s an important point to make here. As it did for me back then, and it did for a lot of people, you began to question your belief in the credibility of government. I think when you had guys like Eisenhower, Truman, and Roosevelt as Presidents, they were trusted. People believed that they were trying to do the best thing. Once you knew that you were being lied to, starting with Vietnam, then you go from Vietnam to Watergate to where we are in Iraq and everything in between. It would be interesting to look at the polls. But my guess is the trust and belief in government back in the fifties was way, way higher than it was anytime since then. It hit its low with George Bush and hopefully has rallied with Barack Obama.

Geraci: We have turned the corner, hopefully.

Blum: Well, we certainly have, I think, honest people trying to do the right thing.
Geraci: Okay. So you enter Cal in 1953. You get a B.S. degree, then off to the workforce.

Blum: Yes.

Geraci: Your B.S. is in business?

Blum: Yes. I got a B.S. in business, and then went right on and got an MBA in less than two years. I was in a hurry to get going, so it was six months and then I went to two summer sessions in a row. You still had to wait two years, but I had it done then. But I was working. I had a chance to go get an MBA from Harvard, but then I would have had to repeat a year; it was going to take a full two years, and this was after I’d already gone through six months. So I didn’t do that. I just had decided I’d go to work as a trainee, as a sort of junior analyst, if you will, at Sutro and Company. I got three hundred dollars a month. If we had a caste system here, I would have probably been meant to go into the clothing business.

I remember Philip Van Heusen was a friend of the family. They said, “Well, we’ll give you the route and a certain part of California,” I guess selling shirts or socks or whatever they sold back then. They’re still around. They would guarantee me a thousand dollars a month. I said, “No, thank you.” I could probably have gone to work for Cal Packing [California Packing Corporation] back then, which a lot of the marketing kids did, which became Del Monte. Sort of the same thing. But I was intrigued by the investment business and liked the opportunities, and obviously it’s worked out very well.

Geraci: Obviously. It’s very interesting that you had talked about giving a graduation speech, telling young kids to take a risk.

Blum: Yes.

Geraci: You took that risk, didn’t you? You had a very middle-class life guaranteed to you, but you wanted more.

Blum: Boredom has never worked for me.

Geraci: I think that’s a very important thing. As a young man, you did not want to be caught in the everyday, the routine?
No. The worst thing for me is boredom, until catastrophe hits. Then catastrophes hit, and then you wish you were bored.

Somewhere in the middle is the best ground to be.

Yes. I don’t know whether you’d say I have lived life on the edge. I mean, I have led an Everest expedition. I was one of the first to go over there forty years ago. When I came on to the University of California Board of Regents and became chairman, I decided that this place needed to be shaken up and restructured, and I set out to do that. An easier thing would have been to just show up at the meetings and pound your gavel every now and then. Instead, I have taken eighty percent of my time for the last over two and a half years just working on trying to slim down the bureaucracy and make the University of California function better. The concept really is to get rid of the fat down in Oakland to a great extent and transfer the excess funds to the academic mission. Unfortunately, because of the chaos in Sacramento, we just needed to make ends meet.

How did you become this way? It’s always interesting to me that certain people have that need, that desire to succeed. Anyone who has children can look at their own children as they grow up and say, “Why is it that some are just disciplined?” It is obvious that you have a work ethic.

My brother and I, who are very good friends, both have this ethic. He has been a research scientist his whole life. We had a stepfather that neither one of us really got along with. People often like to tell you how terrible their family life was and how they overcame it to tell you how wonderful their accomplishments are. I would say our stepfather wasn’t a terrible person, and may he rest in peace, but he was a pain in the ass. He was a bit of a verbal bully. My brother didn’t want to deal with it. I learned to fight back. Now, whether I needed an annoying stepfather to have gotten me there or not, I don’t know. But I think to learn at an early age that when you fought back and you could hold your own, you developed a sense of confidence and an ability to do that. When I look back over my life, when I was younger, when there were times that I was more timid and didn’t speak out, in retrospect, I regretted it.

A luxury of age.

Yes. I think it was Bush’s first or second secretary to the treasury. After he resigned he wrote a book saying how bad the Bush Administration was.
O’Neill, *The Price of Loyalty*] Somebody said to him, “Aren’t you worried about it?” He says, “I’m old and I’m rich. What are they going to do it to me?”

So I decided I was going to do what I thought was right. In some ways, the most important challenge of my life has been trying to spend time with this university to use my managing financial skills to help them out. I’ve had the opportunity, obviously with my wife as the center, to be on lots of different kinds of boards. The only one I ever wanted to be on was the Board of Regents and it’s paid off. The other thing that I really like doing is starting things and watching them grow. There are a number of things that I’ve started. I started our firm.

When I was at Sutro and Company, I saw the world of finance changing. They were an old-line brokerage firm. They made their dough by selling Mrs. Jones fifty or a hundred shares of AT&T or whatever it was, and that’s when there was fixed commissions. I said back in the early seventies, “Look, there are things you need to do to be in the money management business, or asset management. You ought to be in Asia, and you ought to be in real estate.” So I started the first private equity firm in Asia, Newbridge Capital, which is part of TPG Asia today. We manage eight billion dollars’ worth of funds. I started our own firm, which is basically a private equity money management firm, and I am chairman of the world’s largest real estate services company [CBRE]. So those are the things I believed in thirty years ago. If I had been able to get them going at Sutro I might still be there, and maybe Sutro might still be here.

Geraci: You were at Sutro for quite a while, though?

Blum: I started as a junior analyst and was the number two partner when I left about sixteen, seventeen years later. I’ve only had two jobs, Sutro and my own firm.

Geraci: It’s strange that even within Sutro, you began to see the handwriting on the wall. It was changing in the fifties. At least for the American economic system.

Blum: Well, certainly for their business, the financial model, what it was like then. I remember days in October—when the heck was it? Maybe it was the year that the Giants were in the World Series. I think it may have been ’68. I watched it, and they’re watching the board, watching the ticker, and seeing whether the New York Stock Exchange was going to get to two million shares for the day, and it did. Today the New York Stock Exchange has a much smaller piece of the whole trading pie, which frankly, is part of the problem. I felt then, as I do now, very strongly that the real growth globally was going to be in Asia. So we have a main office in Hong Kong, and smaller ones in Shanghai and Tokyo. I have also done a couple of major transactions in Korea. We were in
Mumbai, Bombay, where I’m going to be next week, and Melbourne, Australia.

The other thing I feel good about is the three different global poverty programs that I started. First was the American Himalayan Foundation. Well, first night out on the trail as a trekker climber in ‘68, I stayed at a Tibetan refugee camp near Pokhara, a place called Hyanji. H-Y-A-N-J-I. These little Tibetan kids were either born there or carried over the mountain on somebody’s back, sat there, spoke to you in English. I was gone day one with the Sherpas and a couple of Tibetan porters. I got to know some of the Sherpas, helped their kids go to school, and some friends wanted to do the same thing. Later I got to know Sir Edmund Hillary, who was a great friend and a mentor until he passed away a year ago. The last time Ed Hillary was on Everest was with the expedition I led in 1981 through Tibet. We focused first on the Sherpa community. In 1972, I met the Dalai Lama. We, probably as a private foundation, today do more work for Tibetans in and outside of Tibet than anyone else.

Geraci: Now, this all starts then in the late 1960s?

Blum: Well, I started in ‘68. It was nothing formal. We gave money to folks. We had something at one time we called the Sherpa Scholarship Fund, it wasn’t even incorporated, where we gave relatively modest amounts of money. Then in 1981, I said, Why don’t we get serious? And I founded the American Himalayan Foundation. Today we are funding something like 170-175 projects throughout the Himalayans. A lot of them are unrelated to the mountain people. West Nepal. Young women that are sold at a very early age from low-caste families, we have a program there where we go to the families and often give them money, convince them to send the girls to school. We started backing this wonderful Nepali doctor, her name’s Aruna Uprety, and I kept saying fifteen years ago, “Aruna, you got fifty. Now you got a hundred. You got to clone yourself, you got to clone yourself.” Today we have 6,000 young girls in school. Even in high school, the graduation rate is ninety percent, double the national average in Nepal. They go through to become nurses and schoolteachers and environmentalists, and we carry them right through to college if they want to.

It was because of that that I learned a couple of things. One, the United States does not spend enough money on foreign assistance. Particularly if you look at the percentage of the budget versus almost any other of the developed countries, like Japan, Scandinavian countries, Germany, Australia, and New Zealand. And the delivery system is not good. There I’m talking about AID, the Millennium Challenge Corp, even international agencies like the World Bank and UNDP Development Fund. So I started the Center in Brookings in 2002 with Strobe Talbott, who had just become president of Brookings, to
start looking at structural change in the spaghetti web of foreign assistance organizations to see if we can rationalize things. I wanted to double the size of the Peace Corps with a joint government privatization effort. The Bush Administration did not want to do it. I wanted fifty million dollars from AID, and I’d raise twenty-five million to go build schools, normal schools in Islamic countries. They didn’t want to do that. I thought we could run a fund, if we had certain kinds of guarantees from the IFC, International Finance Corporation, from the World Bank, and fund entrepreneurs in the Cambodias, the Nepals, the Sri Lankas, and the Mongolias of the world. So those were some of the kinds of things we tried to get going.

We still have a major program in Aspen every year. People like Al Gore, George Soros, Steven Chu and others come every year to take on particular subjects. Last year and this year we’re dealing with how is climate change going to affect the poorest of these countries, and what should we be doing about it? I have now started a Center at Berkeley, particularly with Shankar Sastry as dean of the School of Engineering, and Steven Chu, who we had in there last year, and others. We say, “We’ll have this wonderful meeting with people from around the world that I pay for in Aspen.” Then we say, “Okay, what do you do with it?” So we’re converting it into a lecture series. It will tie into being part of an adjunct think tank to what I consider our action tank at Berkeley.

More importantly, and we’ll finish up on this tape, is the fact that these are lessons learned in this late 1960s. I take it you were still with Sutro at that time? This is just around the time or just prior to the time when Nixon’s opening up China.

Yes. That was ‘72.

Yes. So it’s just prior to Nixon opening up. The opportunities were very apparent to a lot of people then? Or at least to a limited amount of people.

You didn’t really think about China in those days, because China was a hard Marxist country. I did go to China. I wangled my way into a visa in April 1976, which was a very interesting period. Zhou Enlai had died just a couple of months before, and Mao died in July. So it was still little girls in pig-tails running around with a red bow. I could not talk to anybody outside of a meeting. Anything that was old was bad. Everything that was new was good. There wasn’t a decent hotel in the entire country, and people were dirt poor. Then in 1979, with the normalization of relations—by now I had met Dianne and we were married in January of 1980—we established the first sister city between an American city and a Chinese city, namely San Francisco and Shanghai. It’s because of that that we got to know the Chinese leadership,
because all the leaders until Hu Jintao came along—Jiang Zemin, Wu Bangguo, Wen Jiabao—were all, as they used to say, or maybe still do say, the Shanghai clique. So Jiang, who’s now retired, I’ve known him for twenty-five-plus years. I have been trying to be an intermediary between the Dalai Lama and the Chinese government. Still working on it every day, I must admit, quite unsuccessfully.

Geraci: Well, I know you have to get off to another meeting, so this is a perfect place for us to quit. What we’ll do next time is we’ll finish up on the Sutro story and then keep moving your life and business experiences. I’d like to do a couple of sessions on philanthropy and what you’ve done and all your organizations.

Blum: Yes, sure. How many of these things you think you want to do?

Geraci: I would like to get as many as I can arrange with you.
When we left off, you had just gotten out of college. You’ve got your MBA. You’re just starting your seventeen-year career with Sutro. You were twenty-three years old, I believe, when you first went into this. So let’s pick up there, talk about that period of your life, the Sutro period, the business part of it, and also talk about the personal, family, everything that’s going on with you during those seventeen years.

Well, when I graduated from college, it really wasn’t my intent to go into the investment banking business. Particularly my year of going to school in Vienna and traveling around created this international interest in wanting to travel more, learn about different cultures, see different parts of the world. My MBA was in marketing with an emphasis on foreign marketing. In those days, a lot of foreign marketing was done through these big trading groups. You still see them in places in Asia, but you also used to see them here. So, for example, a major food company wouldn’t go direct to sell their goods in China or Singapore or Hong Kong or wherever it was. They would go through these trading companies. Certainly if you want to go back to the European trading companies, you can go back to the end of the Middle Ages.

It was just the time that communications and transportation were such that if you were Kraft Foods or Del Monte, you said, “Well, I don’t need to go through XYZ trading company anymore. I can just go direct and have my own offices. That makes more sense.” So I talked to a number of people that were mainly on California Street that were in this business. I remember walking into an office of an acquaintance of our family. They were inclined to probably want to give me a job. I’ll never forget looking at that office. There were the two principals, and then there were about forty or fifty desks in the office, and they were all empty. So that told me something.

At the same time, I had an interest in one of these little investment clubs where you contributed twenty-five dollars a month. I think I mentioned this before. I didn’t have the twenty-five dollars a month. My mother gave it to me. It was run by John Berle, who eventually wound up being my partner at Sutro & Company for many, many years. I’ve known John now fifty-five years, at least, maybe longer. He’s retired. He lives in Los Alamos; I talked to him just the other day.

So my second choice was really to look at the investment arena. I went over and sat down with John, and I talked with Claude Rosenberg, who was at J. Barth & Company. I talked to the people at Schwabacher, and maybe Dean Witter. And what I saw, instead of pessimism, was optimism. I remember him saying one young broker who was in his twenties was making something like
$25,000, $30,000 a year. Now, that was a lot of money in those days. That had a certain appeal to me. It changed my mind. Then I actually went back while I was working as a security analyst and took some other courses, so I had the equivalent of a degree in finance, as well as marketing. So I had the starting pay of $300 a month.

I was really supposed to—we had a caste system here—be in the clothing business because my father was in the clothing business. He died when I was quite young, ten years old. My stepfather was in the clothing business; I could have gone and had a territory selling shirts at Van Heusen, who are still around. They would guarantee me about $1,100 a month.

Geraci: So this is a little bit of a demotion, at least in pay?

Blum: Well, it wasn’t a demotion in opportunity. I knew full well, having worked summers and Christmas part-time in the clothing business, that I had no interest in going into it. So obviously I haven’t regretted that decision. I literally worked my way into the research department. What do I mean by that? Well, the research department probably had five or six people in it. It was a room that must have been maybe thirty feet long and fifteen, twenty feet wide. On one wall there were all these filing cabinets with annual reports in it. They said, “Look, nobody has gone through these files in years. What we want you to do is go through them, clean them up, get rid of two filing cabinets, and then we’re going to put a desk in there and then you can sit in the research department.”

So I sat in the dividend department. There was a young gay fellow by the name of Mark Shannon. I can still hear him picking up the phone and saying, “Dividends.” And a woman whose name I can’t remember, who was sort of like his mother. The three of us sat in there, and I went through these research files. It must have taken me well over a month to go through them, but it was great because I didn’t know much about these companies. I’d look at annual reports, and I’d throw out the miscellaneous stuff. I’d take notes on the companies. By the time I finally got my little desk in between these filing cabinets, I actually had some semblance of what different industries were like and who the players were in them. Not that I would suggest that this be part of a training program today. Not that any self-respecting MBA would be willing to do that. But that’s how I got in the research department.

Geraci: Why not? Why wouldn’t a self-respecting MBA do that?

Blum: First of all, it’s all online. You don’t need the files anymore.
Well, yes. The internet has done that for us. But even if they had to do the internet search—

No, they have sophisticated training programs rather than making you empty out files. But it was okay. I was sort of an assistant to the four or five analysts they had there. I also helped some of the brokers if a client would call and say, “We’d like to know about XYZ Corp. What do you think?” There was a retired general, I can’t remember his last name at the moment, who had a direct line to me. He would pick up the phone and say, “Richard, this is General—” Of course, I knew who it was. “Yes, sir.” “And can you tell me—” he was always very polite—”what you thought about such and such.” There was also a retired admiral. So the military kind of got onto me, and I tried to help them.

I think my breakthrough was that AC Nielsen, the market research firm, went public within a year after I had joined. I knew something about the company because my background had been in marketing. So I wrote the first research report, at least at that time known to man, on AC Neilson. The stock did extremely well, so all of a sudden the 400 brokers in the five or six, seven offices Sutro had at that time—maybe they didn’t have 400 brokers. They had 400 employees, maybe half of them brokers—discovered me. And, of course, the question was what do you have that’s next?

In any event, at some point I became a registered representative. I think that took about six months. I was still doing my own research, and became a broker.

Now, you have to go through a training program and an exam?

Yes, training, and you had to go through the exams. In those days, they were easier than they are now. I don’t think I studied for them. I think you just showed up. On the other hand, I had studied all the other stuff, so it was not a lot of heavy lifting. So I set out this goal that I wanted to make a thousand dollars a month at a minimum. I would just keep making calls until I made fifty dollars a day, until twenty working days. That was my thousand dollars. Now, some days you would make more than fifty dollars. I think my first month I made $1,100, so I tripled my salary. I was married to my first wife, Andrea, her maiden name was Schwartz, in June of ’59.

So you had already been at Sutro?

Yes, I’d been there for a while.
Geraci: Where did you meet her?

Blum: I met her at Berkeley. She was a pre-med student; she was starting medical school about the time we got married. She was three years younger than I was.

Maybe one month for the rest of my life I ever made less than a thousand dollars. It was interesting. I had no idea how I ranked with all the other brokers. I assumed these guys had big clients, were making a lot of money. But when the market closed at one o’clock or twelve-thirty, some of them went out to lunch and never came back. Most of them didn’t. I was naïve. I thought they were out calling on clients and so forth. I didn’t understand that what they were doing—some of them probably didn’t want you to know what they were doing. Others were out playing golf. It was a pretty good drinking crowd there at that time. I was the house teetotaler. There were three or four of us that would go around the corner, have a sandwich, and play liar’s dice, and that was about all. I was the first guy in the door in the morning and the last guy out at night, and I’d go home and did the homework.

One day, probably after about a year, somebody said, “Well, you almost got there.” I said, “What do you mean, I almost got there?” “You almost were first.” “First in what?” He said, “You were almost our largest producer.” That struck me. If you had asked me where I was, versus the 150 or so producers, I would have thought I’d maybe worked my way into the middle of the pack.

As time went on, I was particularly moved towards a strategy that’s with me today, which was I didn’t think anybody’s research was any good. If you don’t like the research projects that are put out today by the major houses, they’re a thousand times better than what was done back then. To a great extent, the older brokers sort of knew about five companies. There were older partners who could tell you all you wanted to know about Crown Zellerbach or Rayonier, those paper products companies, on the assumption that you cared. Everybody ought to own some General Motors, everybody ought to own some Bank of America, everybody ought to own some Pacific Gas and Electric.

It was, as I’ve said in some commencement addresses, an unusual time. Nothing really changed very much. People little knew how the world was going to change once we got into the sixties. They used to say, how General Motors went was how the country went. They were the largest corporation on earth. Bank of America was the largest bank, etcetera. This whole idea of looking at some of these little start-up companies like Hewlett-Packard was unusual. I remember when Hewlett-Packard first went public. I doubt if they had much more than ten, twenty million dollars in revenue. Or Ampex or Varian Associates or some of these companies, or Fairchild Camera, that are now gone.
We had a correspondence firm which was around until a number of years ago, Loeb, Rhoades & Co. They were important Jewish families in New York that ran these firms. Loeb Rhoades, Kuhn Loeb, Lehman Brothers. Warburgs in those days I think was essentially still in London. Most of them traced their banks back. Either they got started over here, or a lot of them came over, were in the south, were peddlers of clothing or merchandise or whatever, and wound up in the banking business. Some of them, obviously, like the Warburgs, Rothschilds, weren’t really here then. Other ones had come from Europe, primarily from Germany, some from London. In those days, we didn’t have our own trader on the floor of the New York Stock Exchange. We cleared through Loeb Rhoades. I got to know some of the partners. Their research was not terrific, in retrospect, but it was better than what we had. They had a guy by the name of Sam Steadman. We called him the high priest of the growth cult. He had, I think, five companies that you were supposed to buy and hold forever. One was IBM. Another was a company called Haloid Xerox, which became Xerox. There was Polaroid.

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Geraci: So these are the blue chip companies?

Blum: Well, they were the blue chip growth companies. Frankly, I was much more interested in Crown Zellerbach and Rayonier and so forth. I became friendly with some of the partners at Loeb Rhoades. Later on when I started my business, Tom Kempner, who was John Loeb’s nephew, who ran the business after John stepped down, he and I became friends. John Loeb was like Bobby Lehman of those days in Lehman Brothers. He was kind of God. You heard about him but you never saw him.

One of the nice things, when I decided to leave Sutro sixteen or seventeen years later, one of the first phone calls I got was from Tom Kempner. He said, “Do you want a partner in business? The Loeb family would be pleased to invest in your business.” So that was a big deal.

Geraci: What I see, then, in your Sutro years is that you’re highly motivated and have a strong work ethic.

Blum: Yes, work ethic was part of it.

Geraci: As you said, you were willing to do whatever it takes. You set a goal.

Blum: I actually stole a line from this guy Sam Steadman, who unfortunately developed cancer when he was in his early to mid-thirties and passed away. But he used to say, “I was in the investment banking business thirteen years, fifteen years, working twice as hard as anybody else.” I used to say the same
thing, because the truth of the matter was I probably did work twice as hard as just about everybody else.

Geraci: Even as a young entry into this, they noticed you very quickly.

Blum: Yes. I notice it around here. I always notice who’s still here after five o’clock. That’s not indicative or a guarantee of anything. But when you see people hanging around working late, if nothing else it’s a sign of enthusiasm.

Geraci: They like their job.

Blum: They like the job. They want to make something of it. It’s the good old-fashioned work ethic. As somebody said, half of inspiration is perspiration.

Geraci: You outline a scenario whereby America has just finished World War II and is beginning an era that Henry Luce would call the “American Century.”

Blum: Yes. America is realizing they are the world leader. In the battle of the world, we’re the last man standing, literally. It really started to happen. The big shift in power financially, probably politically, happened at the end of World War I, and then continued because the central banks were on the gold standard until the 1920s, and some of them went back on it again. One of the reasons they gave up on it was because at the end of World War I, the U.S. had three-quarters of all the gold in the world. A lot of the European central banks said, “Why do we want to be on the gold standard? All that does is tie us to the dollar.” Being on the gold standard was silly, because there was a period when they kept discovering more gold. If you had more gold, if your currency was backed by gold, then you could expand your economy. If you had a bad year and didn’t discover more gold, it was more difficult to make life get better. When you think about it, there was this religion and this rigidity of these bankers in the late 1800s of how you had to stick to the gold standard. You eventually opt into the system that we have today. It’s complicated, but basically you want to control your currency to keep inflation down, keep interest rates reasonable, yet allow your economy to grow. But you also have to keep your viability so that others will trust your currency.

One of the big concerns to date is that when Clinton left office, we had a four trillion dollar surplus. During the Bush years, that four trillion dollar surplus went to a nine trillion dollar deficit. A turnaround of thirteen trillion dollars. So you had a combination of an expensive war, that we thought the Iraqis were going to pay us back with oil. It hasn’t happened. That was a trillion dollars. And then they did something that was never done and hopefully will never be done again—god forbid that we have to be in another war—is that
you have a tax cut during a war. In fact, you need to do just the opposite. Usually, although it was much more true in World War II, your factors of production are ramped because you have a war, so you don't really need tax incentives to get things going. If anything, you have a higher tax to help pay for the war.

It's just that World War II, the Korean War, and the Vietnam War were a huge part of the cost of our government. It wasn't so much, though, for the Iraq war. If you look at it over the period of time, that Iraq war took longer than World War II. In the end, it has been very costly, and the combination of us really not paying attention to these markets became highly speculative, high risk taking, no oversight. The SEC basically—all you got to do is look at the Madoff scandal and know that they've been highly ineffective. That's why we are where we are today.

You probably want to get back to Sutro.

02-00:26:48
Geraci: During this time with Sutro, how did you, Richard Blum, accomplish your part in this new economic system that was being born in the nation? What did you offer within your firm that was different, that could have been maybe interpreted a little bit more cutting edge? You've mentioned the older brokers that are sitting there just working their traditional products.

02-00:27:11
Blum: Well, I did become the youngest partner in Sutro's hundred-year history when I was twenty-nine years old. And why I think that happened is that, particularly the senior partner, he was really in some ways the father of my business career, a guy by the name of Alistair “Shorty” Hall. He was an old Scot. Shorty was a facetious name. He was probably six foot six. He had grown up in Edinburgh, lived a lot of his life in the Philippines, and spent his life during World War II in a prison camp in Santo Tomas. He was the leader who negotiated with the Japanese. I never could understand when you're in a prison with the Japanese what sort of leverage you had. Anyhow, he lived through a lot of tragedy. His wife was killed by the Japanese at the end of the war. But he had this correspondent relationship with Sutro, so he moved to the West Coast, and became the senior partner of Sutro.

To give you an idea of how old-line and how family-controlled that entity was until Shorty Hall came along, Sutro was the oldest and I think at that time the largest investment house west of the Mississippi. It had started down here during the Gold Rush. They were basically in the gold business; if you found some gold, they'd put it in safekeeping for you. In fact, the headquarters for the firm for over 110 years was on the 400 block of Montgomery Street. But they had such foresight that they never bought the property, only rented, so that told you something. The firm was started by Adolf Sutro and his brother Gustav Sutro. Adolf Sutro was one of the early mayors, just about the first
mayor of San Francisco. I guess it was Gustav’s granddaughter married a fellow by the name of Sidney Schwartz, and he became the third senior partner. So in a hundred years, you had three senior partners. This is when these things were run by dynasties.

By the way, I couldn’t have gone to work for Dean Witter because I was Jewish. There were four Jewish investment houses here; you could go to work there.

Geraci: So there were religious factors in the background?

Blum: Oh, absolutely. It wasn’t in the background. It was there.

Geraci: It was very open? You’re Jewish, you need to go to the Jewish firm.

Blum: I did go to talk to the guys at Dean Witter, and I got some conversation. Eventually Dean Witter bought J. Barth when they were in serious financial trouble. The Witters, who were nice people, said, “Well, I hope that brings an end to our WASP image.” That’s the way it was, frankly. It didn’t bother me much. I didn’t care because these were sort of the firms that I was most interested in anyway.

Geraci: The Sutro.

Blum: You asked me why did I get where I was? Well, it was a small enough firm, and Shorty Hall took a liking to me. He’d be around in the afternoons, and I’d drop by. Every time I wanted to talk to him about some tech investment, he would tell me about some Philippine mining venture, because his speculation was in the Philippine mining companies when he was over there. Most of them, I don’t think, went too well. He would never say no to me, but he was clearly a skeptic of a lot of the stuff. By the way, in many of the cases correctly so.

Geraci: Well, first of all, you said you were kind of taking on a tech specialty?

Blum: No, no, no. Let me put it this way. I would look at anything, but there were a couple of us younger guys that did look, wander down the way, as far as Palo Alto to talk to these companies.

Geraci: This is a new direction for the company?
Yes. Well, this was before the era of specialization, so you could find out. The securities market was essentially about larger American companies. When you talked about investing offshore, you were talking about Shell Oil or Philips Electrical as they used to call it, or Philips Lamp or Philips Electronics, as it’s known today. It was a fairly short list of major companies. I particularly was close to the people at Varian Associates because I’d written a report about Varian when I was going to business school. The treasurer and I, a guy who’s long since passed by the name of Jim Donovan, became good friends. I stayed in touch with him and learned about these other companies.

There was an interest in that area. I can’t say that I was particularly a specialist. I did try to learn from one of my old friends I used to play golf with, who went to Stanford and went to work for Advanced Micro Devices. To try and understand what the heck the semiconductor business was all about. That was so long ago. That was when transistors were still germanium, before silicon came along, or it came along during that period. We invested in computer services companies because nobody had their own computer. If you wanted computing done, you had to go to one of these service companies that had these computers that would probably take up the size of this room.

Doing not much more than your calculator.

Not that much. Yes. The most important thing I learned from him was the Scottish sayings. I would say, “Well, so-and-so told me something like this.” He’d turn to me and say, “Lad, mind over deeds.” Mind over deeds. I remember him saying to me, “Never sell your reputation for a million dollars because someday it may be worth a hundred million.” In those days, particularly with trading, your word was your bond. For a long time, the world we lived in, in investment work, if your word wasn’t your bond, you might as well get out of the business, because the word would get around you weren’t to be trusted. I think of the way transactions get negotiated today, particularly with our Asian operation where you can put whatever you want in writing, but you better have a group of people that you get to know that you can trust, because most of them, the word isn’t their bond.

But isn’t this also true for almost anything? Take politics. It’s that networking. It’s those people you build trust with. It’s that social/political/economic capital that is built.

Yes. Look, there’s a lot of reasons I think my wife’s a respected and popular politician. Clearly all the polls say she’s the most well-respected person and popular in the state, besides that she’s reasonable, centrist, and does her homework. Her word is good. I just came from Teddy Kennedy’s funeral, and
one person after another said, “Teddy was a tough guy. He was liberal. He’d make a deal with you. But the one thing you knew is if he gave you his word, it was good.” I still believe very much in that. If over a longer period of time people know that your word is good, it’s the most valuable asset you can have.

02-00:37:18
Geraci: These must have been exciting times. The national economy’s exploding. You’re a young man. You’re newly married. You’re playing with these new directions. It had to be a lot of fun?

02-00:37:33
Blum: Oh, yes. Well, one thing that I had then and still have today is a kind of nonstop curiosity about just about anything. I drive some of my associates and family members a little crazy. About a year and a half ago, I went to western Mongolia because I was interested in shamanism. I said, well, I think it’s kind of basic to a lot of religions. It goes back to the 1500s, and they still have these shamans. A lot of them are part of this tribe of Tuvan-speaking reindeer people that are in the northwest of Mongolia that have spent centuries, maybe even millennia, just migrating with these reindeer herds, and they have shamans. They go into trances to talk to spirits. It goes back 15,000 years. You also understand that the state oracle of Tibet, it’s the same stuff. The Oracle of Delphi, in Greece the same thing. When you look at some of the spiritual sacred dances of Native Americans, Southwest, it’s the same stuff. Just to point out that I could get interested in almost anything.

02-00:39:16
Geraci: But isn’t that probably one of your key personality traits?

02-00:39:18
Blum: I’ve never invested in shamans, I think you should know.

02-00:39:21
Geraci: Okay. A key personality trait for you, then, for both business and personal life, has been a natural curiosity of the world around you. And it seems to have served you well.

02-00:39:45
Blum: I think in today’s world, because it’s changing so rapidly, I am even more curious about more things than I ever have been before. That may be true because you don’t know what’s going to come up on your BlackBerry next, or the newspapers. You have so much different opportunities in terms of media, whether you’re watching the History Channel or National Geographic or what have you. Frankly, having my own plane and kind of stopping off wherever I want en route to wherever I’m going, a lot of it in Asia. Just two months ago, I was going to India accompanied by Norbu Tenzing, who is the vice president of our American Himalayan Foundation. Well, his wife Ivana is Polish. The old Polish-Sherpa combination. But Ivana’s lovely. She’s an expert in Himalayan art. She said, “Well, why don’t we stop in Poland?” So we stopped in Poland on the way back. I’d been to Italy. If I’ve been there once, I’ve been
there thirty, forty times, and never been to Sicily. So I stopped off in Sicily, and have stopped off in many different places in the South Pacific while going back and forth to Australia and Nepal or whatever it is. I took the kids and grandkids last year and we went to southern Africa. So it never stops. I always think it’s good because it gives you perspective on what’s right with the world and what’s wrong with the world.

02-00:41:50
Geraci: It’s a trait that’s very interesting to me, this natural curiosity, because it makes the entire world an open book for you. A continuation of your life as a young man when you were doing new things. You were open to new experiences.

02-00:42:09
Blum: Oh, yes. Yes.

02-00:42:11
Geraci: And that was probably what made you different then than some of the other more traditional members of Sutro?

02-00:42:18
Blum: Yes. I never really thought about it. That’s sort of how they lived their lives. But yes.

02-00:42:25
Geraci: If we talk historically, this is a Jeffersonian trait; a man who is a jack-of-all trades and a master of none, or few. There wasn’t anything that he did not want to know about. That opened him to try things until he found things that he was successful with.

02-00:42:43
Blum: Back in the 1700s, probably easier to be a master of all trades.

02-00:42:50
Geraci: Than it is today. True.

02-00:42:50
Blum: There was less trade. But look, running the risk of moving forward here, what all this has led to is that my ventures today really are philanthropic. Just as investing in companies that nobody knew about down in the Peninsula or wherever was a new idea, I now spend, as you know, lots of my time with the University of California. Particularly at Berkeley, some with UCSF, now increasingly at Berkeley with my center. It’s venture—I can’t call it capitalism—but it’s venture philanthropy, in trying to figure new things to do. To give you an example, I’m moving ahead on our American Himalayan Foundation, which we started with Sir Edmund Hillary and the Dalai Lama to help Sherpas in Tibet and refugees and so forth. Our fastest growing program is actually saving young girls from being sold into prostitution. We have 6,000 of them in school in Nepal, with a high school graduation rate of ninety percent, double the national average there, and we take them right through to college.
What I’ve discovered about trafficking is one of the most unreported stories. I ran into a young man by the name of Siddharth Kara who started this for five or six years. There’s probably a million and a half young girls—they’re girls when they’re taken, not women—that are caught in the slave trade, and you barely hear anything about it. So I’ve been pushing, trying to understand. We spend eight billion dollars on AID. So tell me about the programs you have that are helping with this problem. I don’t know what the answers are yet.

What we have done is we have found a number of people. I had lunch two days ago with Laura Ling, who just came out of North Korea, and her sister Lisa and her mother Mary, who work for Current TV, which is Al Gore’s company, which I funded. Why were those girls in North Korea? Because you had these corrupt North Korean officials selling these girls to Chinese pimps, and that was what the story was. So we have some Hollywood types that want to make a major project out of this thing, and we’re interested in expanding our activities and trying to take care of more girls in Nepal, and probably across the border into India, particularly Bihar. Very poor place. And make a lot of noise about this thing, do what you can to save these girls, and also do what you can to out the bad people. The reason I bring it up is just that it’s a case of one thing leading to another. That’s what I’ve been doing all my life.

Geraci: I really like this as a case, because I can see this in the patterns you have, whether it be business or personal. Your business life actually transitions at one point to a very philanthropic point, but it’s always this curiosity and ability to adapt and compromise to make things work.

Blum: Well, if you look back, what I’ve done is I’ve started a lot of things that have stayed. Started the American Himalayan Foundation, 175 projects today. I started the Global Poverty Center in Brooklyn. I obviously started the Blum Center for Developing Economies at Berkeley. It’s only three years old. It’s blooming. I started the Mayor’s Fiscal Advisory Committee for George Moscone when he was mayor. That’s how I met Dianne. It’s still going. I started something with the encouragement of the Dalai Lama, which was called the Interfaith Friendship Group, which we merged into something called the World Conference of Religions for Peace. I was co-chair of that for a while. And I’ve obviously started this firm. I started Newbridge Capital, along with David Bonderman. We were the first private equity investors in Asia about thirteen years ago, which has now merged into TPG Asia. So there’s a half a dozen things or more. I started the MBA program—well, I didn’t really start it, it was my idea, at Berkeley for the Haas Business School. The MBA program at night, which was taught in San Francisco, has helped the business school a lot; it’s a real moneymaker. So off the top of my head, those are the main things.
Geraci: It seems that, just to reiterate and take us to a last portion of this tape, that you have this work ethic and this natural curiosity. But it also seems to me that you’re somewhat of a risk-taker.

Blum: Oh, yes.

Geraci: I think that’s a third element that really suited you well, possibly that you started very young in your career with Sutro.


Geraci: Let’s talk a little bit about that.

Blum: By the time I was thirty years old, I had made every classic mistake in the book. But you know what? I learned from them, and have rarely repeated them since.

Maybe the best story is that I was left $10,000 by my grandmother. So I bought a bunch of electronic stocks, some of them down in the Peninsula, some of them we heard about from our friends on the East Coast. I bought them on margin. So here I was three or four years in the business, and my $10,000 was now worth $100,000. Then one day the market took a huge dive. I can still remember Warren Berl, who’s still with us. I came in in the morning, and he said that you need to have $11,000 in your account by eleven o’clock or we have to sell you out. Well, asking me for $11,000 was like asking for a million today. I went, “Oh, my god. Where am I going to get $11,000?”

So one of our branch managers had a brother that was a branch manager of a bank in the East Bay. I called him and said I need a loan. “Well, I don’t know.” I said, “Can I come over and talk to you about it?” He said, “Sure.” So I get in my car and drive ninety miles an hour over to Richmond. I sit down with him and he showed him my portfolio. His name was Reinhardt, his last name. He asks, “Did you buy on margin?” I said, “Yeah, that’s why I’m here. Please give me $11,000. I’ll pay you back.” He said, “Okay.”

He gave me $11,000, this cashier’s check, and I’m driving ninety miles an hour back to Sutro. I get in there not too much before eleven o’clock, plunk down the check.

The market rallied for the next week. Stocks went back up. I sold enough to get the $11,000, paid the bank back. I said, “I’ll never do that again.” So if you think about what’s happened, did we have a bad year last year? Of course, everybody in our business did. Were we particularly leveraged? No. So I have
never bought a stock on margin since then. We never buy anything except for cash. Now, if we do a leveraged buyout, we’ll do it like everybody else, but you have debt that’s committed long-term.

One of the lessons I have learned is do not trust bankers—and I would say that if this room was full of bankers—on short-term commitments. If you get a mortgage from a bank that says you pay this off over fifteen years and then all you got to do is make your payment, that’s fine. But if you have a line of credit that’s subject to renewal or you have something on margin, don’t trust it. My view of most traditional commercial bankers is, as a crowd, they tend to be sheep. So you went back three years ago, we were particularly exposed to a lot of the buyout stuff because our Newbridge wound up being part of TPG Asia. We would, maybe every couple of years, do a leveraged buyout, and we’d do it on terms we could live with. We haven’t had one that didn’t do well, and have had a few that have done spectacularly well. The terms that the banks would lend money on, we’d just look at ourselves and say, “I can’t believe they’ll lend us money on these terms.” They went from doing that to now, when you have a situation that’s part of the problem with the recovery. These banks aren’t lending money when they should. The motto is never buy anything where you have to rely on the bank’s judgment over the shorter term. If you want to borrow from a bank, make it like a mortgage.

Geraci: Hasn’t that almost been a lesson since the Great Depression?

Blum: Well, clearly what happened is a lot of people forgot those lessons.

Geraci: Wasn’t one of those the margin situation?

Blum: Sure. They used to buy up stuff on ten percent margins. But that was 1929.

Geraci: We forgot.

Blum: There are three basic philosophies, kind of economic philosophies rather than theories, that you talk about. One is sort of the Chicago school of finance, monitors and everything else. And then there’s Keynesian philosophy, where you basically allow the government to interfere and help make things better, calm things down. They assume something that I don’t believe in, which is that whatever the market is, it’s a perfect balance. Whatever trades, it’s a perfect balance of rational supply and demand. I didn’t say anything about that.

Increasingly you have what’s called the behavioral school of economics. I’m a 100 percent believer in that, because I’ve seen, within one day, people’s
attitudes change towards a company based on whether the damn stock market went up or down that day. So what you had is that you went through this period of time, and I’ve seen it happen with bull markets and bear markets, and it’s the same human pattern. I’m not worried about banks making bad loans or people like us making stupid investments. Why? Because everybody was burned. Everybody’s exceedingly cautious.

The result of that is going to be that you’re going to look back in a year or two and say, “Gee, all that stuff we bought after the crash has done well.” Then, as time goes on, you won’t do your homework quite as well as you could, because you haven’t made any mistakes in a year. Then you get back into the crazy kind of bull market stuff you had in 2005 to 2007. That even if you were wrong, the goddamn stocks would go up. Then you come to the conclusion that you didn’t realize just how smart you were. Your IQ was clearly great, and people would be more inclined to shoot from the hip, more leverage. Forget about 1929. They don’t even remember when you had a bad time in ’89 when the real estate and the savings and loan market was bailed out. That’s a whole generation, young people who were never there, or guys who are senile enough to forget what the hell it was like.

02-00:58:39
Geraci: So were you learning these lessons while you were at Sutro?

02-00:58:43
Blum: Oh, yes. The lesson was I thought I was a smart kid, I could buy this stuff on leverage.

02-00:58:54
Geraci: You thought you were immune from the cycles.

02-00:58:56
Blum: Yes. I wanted to make a million dollars before I was thirty years old, which, by the way, I did. So that my net worth during that period, maybe four years in, went from $100,000 to, if you marked that day I had to come up with the money, the truth of the matter was my net worth was probably negative $20,000 or $30,000.

02-00:59:21
Geraci: Not a good day.

02-00:59:23
Blum: Anyhow, life got better. A lot of the lessons I heard about from people like Shorty Hall and seniors about how you look at things and how you trust them. Sometimes I listened to them and sometimes I didn’t. There’s this whole idea that there’s a belief that parents can pass on to their children, their experiences, and it will matter. Maybe at the margin. Most people, as they grow up, go out and make their own mistakes. That’s really how they learn. I think you can set a good example for your kids by really having them watch what you do and
seeing how you handle things. I am not quite sure how effective the lecture circuit is when you are talking to your kids. But you’d have to ask them that.

02-00:60:37
Geraci: We’re just finishing up on this tape, so I think it might be a good point for us to stop.

Audio File 3

03-00:00:00
Geraci: What were some of the positive experiences you had in doing business at Sutro?

03-00:00:36
Blum: One of the things you could do in those days, because the world wasn’t segmented the way it is today, that you’re a bond trader, you’re a merger and acquisition guy or you’re an investment banker or you’re a whatever. So I learned a lot about the different parts of the business then, with the exception of trading. I spent a little time on the floor of the Pacific Stock Exchange for a couple of months, but I’m not a trader, never was. And they really didn’t have much of an investment banking capability. So I moved towards the deal area, although they were hard to get done then. The idea of really where you thought there was a value proposition to own a major piece of some company. For the most part, they were publicly owned, not all. And where you would work with a company over a period of time to get something done. If you look at our strategy today, that’s what we’ve done.

My interest was in taking those things early on and doing things philanthropically with them. I heard about a bank called the Freedom National Bank of New York, which was on 125th Street in Harlem. Jackie Robinson was chairman of the board of the bank, and they were having trouble raising money. By the way, it wasn’t a lot of money. I think it was a few hundred thousand dollars or something like that. So I went and saw him, and it was great because it was the one time I actually sat down and met Jackie Robinson.

03-00:02:41
Geraci: Which had to be a treat in and of itself.

03-00:02:42
Blum: Oh, of course. So I helped him raise some of their money, and then they said, “What’s going to be your fee for raising this money?” I said, “Nothing. Harlem needs a bank and you guys look like the right guys to do it.” So that’s what I did.

And I think back even younger. There was a buddy of mine by the name of Phil Fehlen. We’re still friends today. He’s a retired Marine. Went to Stanford and was a great high jumper. We would have a magic show in our garage. I think on two consecutive Saturdays, we probably netted something north of ten dollars. We then got on the streetcar and went over to the Shrine Hospital
on 19th Avenue—I think it’s still there today—and gave them our money for
the children. In those days, a lot of the kids had polio. And when I look at our
American Himalayan Foundation today, one of our largest projects is this
hospital. It’s a big deal with its first-rate medicine. They do 2,000 major
surgeries a year, and they have all these kids there. But it’s the same thing. It’s
for crippled children.

Geraci: Was that a generational thing? In talking to many people who are getting their
starts in their careers in the forties and fifties, there seems to be a stronger
philanthropic feel, a giving back to society that may be missing today.

Blum: I never thought at the time about why I did it. My mother had passed away.
But if I look at it and ask what started me along that line, my mother and also
my grandmother did a lot of volunteering. I mean, for years my mother spent
time at Mount Zion Hospital or at the de Young Museum. My grandmother
during World War II actually was in the women’s auxiliary. She was doing
mechanical work on planes up at McClellan Air Force Base. So there was
always a desire to help the community in one way or another. They had a time
that they didn’t really have any money to give.

Geraci: But also there was a national spirit. This is the John F. Kennedy “Ask not
what your country can do for you, but what you can do for your country” era.
And for many people, they feel maybe the Obama era has re-ushered in a
similar spirit.

Blum: Well, there’s no question. If you said when did I become interested in politics,
was there a moment in time, the answer’s absolutely yes. It’s when I heard
Jack Kennedy in a speech in Los Angeles talk about the idea of forming the
Peace Corps. I said, “I love that idea.” So that was my first real interest in
politics. I’m glad you brought that up, because you’d have to say what is it
that made you want to start helping the African American community in New
York? You barely knew any African Americans in those days. It must have
been something like that.

Geraci: But there seemed to be a national spirit. People felt a need to do something.

Blum: Not much in the world I lived in.

Geraci: The business world or personal world?

Blum: Look, we lived in a set environment. Brokers would come to work every day.
A few of the partners would only work until noontime on Wednesday. They
went out and played golf. That’s what they did. And everybody, I think most of the senior people, were presumed to have an interest in some charitable endeavors. In the old days, it used to be, oh, we gave our check to the United Fund. You gave them some money so you’re a good citizen. Maybe if somebody cared, you gave money to a museum or an opera. By the way, most of them were Republicans. Nobody said, “Goddamn Kennedy asked his question. Ask not, you know.” People did what they wanted. If you wanted to do these things, that was fine. Most of the people I surrounded myself with there didn’t do much. By the way, I’m not sure I did much in those days either.

In just trying to unpeel this onion, I interviewed Paul Davies, who was part of the Pillsbury law firm. One of the things that he lamented, within the law firm, was a shift from the forties and fifties when all partners and all associates were expected to do community pro bono work. Later, the firm had shifted to where everything was billable hours, and it was a noticeable difference. Within your work culture at Sutro, was there a spirit of we owe something back to the community?

Not particularly. Let me put it this way. They were good people. If you had asked them that question at the time, they would have said, “Yes, we owe something back to the community. By the way, we give to the United Fund.” There may have been some lunch or dinner for a good cause that we would buy a table to. But there was an attitude then, and frankly, it still exists today, that we as a firm don’t give away much money. Even here. People are giving their money [individually], and they do what they want with it.

Now, there are some people here that have an interest and are quite charitable in their own right. There’s a bunch of other ones that I have no idea what they do. I would say, if I had to guess, that the people today—first of all, we make a lot more money, even on a relative basis today, than people could have dreamed of forty to fifty years ago. So I think most of the successful partners we have, have their favorite charities. How much they give, how much they’re involved. The smart, really good guys, like my partner David Bonderman has a huge interest in the environment, not only gives a lot of money away but does the kind of thing we do. It’s not so much the money, it’s often the hands-on management. You try to grow these philanthropic enterprises, it’s just like you’re trying to grow a business. Some people will tell you it’s harder to give money away successfully than invest it.

Well, I think it’s a key concept that’s going to really develop through our discussions of your career; the idea that philanthropy is a business. A philanthropic business. And to be successful, an organization has to secure oneself.
Blum: It’s interesting. For a long time, you’d have some smart guy who made himself a lot of money, and you’d have some philanthropy that had a good name to it, cancer, whatever, a university. Just write a check and say, “Okay, I did a good thing.” And by the way, I assume if you give money to Harvard, the University of California or whatever it is, it’s not a bad cause. Whether it will be used effectively or not, I know enough that you ought to ask. You ought to stay on top of it. But only in recent years, particularly when it comes to foreign assistance—one of my complaints about foreign assistance is how bureaucratic, how unresponsive, how little money actually gets to the project. I’ve been talking about that. Particularly had people like Laura Tyson write in about it in Business Week. A decade ago it started to happen. But how has it started to happen? It started to happen with guys like [Bill] Gates.

I was at a thing for Vinod Khosia last night. He’s got a major micro-lending company going in India. So it’s the stuff we’re doing with our center at Berkeley. It’s the American Himalayan Foundation. We’re doing a survey now. We haven’t quite started it yet. I want to understand these kids who major in wanting to do global poverty work, where they want to go to work. My guess is you’re not going to hear a lot of them saying, “I want to go to work for the State Department.” They’re going to want to go to work for Google or somebody else’s foundation, which is a problem. AID has a budget for six billion dollars. They ought to figure some way to get people excited, an incentive to join. But they need to figure out how to restructure that place.

Geraci: It’s back to the idea of government jobs being an honorable position and people wanting to work for their government again. Seeing it as a good deed, a good thing that I can do as an occupation.

Blum: Look. My view of government is different than what gets kicked around. I think, by and large, you got bad actors in business, you have bad actors in government. Seems like you can’t have a day go by without some right wing preaching Republican ‘fessing up to a private affair. There was one caught on a microphone yesterday up in an assembly in Sacramento.

Geraci: In all places, Orange County.

Blum: Yes. Bragging about two girlfriends. Anyhow, leaving that aside, my biggest problem with government, or bureaucracies in general, including the University of California, is that they’re badly run. That people often, who potentially are quite bright, wind up falling into a habit of how they spend their days and are not particularly creative. In some cases, at the highest level, I would simply call them brain dead. So a lot of what I’ve been doing over the last couple of years, almost three years, I was chairman of the Board of
Regents, was—the old Italian saying. The fish rots from the head. It’s that you had to make some changes down there, put some good people in place and bring them back to life. It’s a classic case of very smart people, in many cases, being led down one path or another by decisions that make no common sense. You can have smart people in the system. I’m sure you’ve seen this. Why don’t you have some of the key people at the business school, California Hall, if you don’t mind my saying so.

03-00:17:06
Geraci: It would make sense.

03-00:17:07
Blum: Yes. Or down in Oakland. My biggest problem with government is that for most things, they don’t serve the people as efficiently as they could. Bias comes into it. People’s preferences. Republican, Democrat. What part of the country you’re from. But the biggest problem is that they have this safety net around them. If they have new ideas and think on their own feet, they really don’t have much of a chance of executing them. Or they get slapped down.

03-00:18:02
Geraci: Yes, they get slapped down. Could this be part of a national trend that I’ve seen in other government organizations? I’ve seen it in foundations, and almost any organized group. In the fifties, and you mention this as being something very important for you in your career, there was a feeling that I could be a generalist. I could be curious and have the whole world open. By the sixties and seventies, we begin specializing. We begin centralizing, and we start at all levels of our society creating very large bureaucratic structures.

03-00:18:41
Blum: Yes. Bureaucratic structures make me crazy. We merged our interest in Newbridge into what’s TPG Asia. It’s an eight-billion-dollar fund. We probably have eighty people working in five different offices around Asia. When we started with a lot less money, there were four of us. There was David Bonderman, myself, a guy by the name of Shan Weijian, and another guy by the name of Dan Carroll. All pretty smart deal guys. Underneath us we had a few guys to back us up, to do the research and so forth. We made decisions quickly, we did well.

Now, every time you want to invest even a minor amount of money, you have reams of stuff that they give you. The ratio of smart deal guys to senior analysts and junior analysts is going dramatically in the wrong direction. I’ve said I believe we’ve got to cut the number of people substantially. Not because I want to lay off people, but because it’ll just run better. If you ask Mark Yudof, President of the University of California today, now that we have taken Oakland down from mostly 2,000 people, I understand down by maybe almost as much as a third, I said, “I bet it’s running better.” He said, “Absolutely.” Because in government also, you wind up with these silos. You may find out there’s three silos, and you have people in each one of them
doing the same damn thing and they don’t know about each other. It’s not that they aren’t good people, it’s just the way they’re organized. It’s the way they’re managed. It’s what they’re allowed to do.

Geraci: Did you see that happening through your years? You’re coming into Sutro in the late fifties. You’re there until the early seventies. Could you see it happening in the business world also? Was it starting to affect the way you did business?

Blum: What happened then and why did I start my own business is people were too traditional. My partners, all of them, there wasn’t one of them I didn’t respect as an honest, decent guy. The ones that are still with us, I’m friendly with them to this day. But there was kind of a bump in the road a couple of years before I left when, for the first time in over a hundred years, the firm actually lost money. I mean, they lost $800,000.

Geraci: In the grand scheme that isn’t that much.

Blum: In the grand scheme, it wasn’t that much.

Geraci: In the short-term.

Blum: You would have thought that the world was coming to an end. Well, I had made some bucks by then. I could borrow some money, and I said, “Look.” I wasn’t the number two partner then. “I’ll put up some additional capital. I want to be the number two partner, and what you need to understand, what’s wrong with your business is you have a model that’s served this firm well for close to a hundred years and it’s not going to work anymore.” It really evolved around selling Mrs. Jones a hundred shares of Pacific Gas & Electric, General Motors, or what have you. You had fixed commissions. There was something called May Day on which they were going to go to negotiate traditions. I remember handling what was a big transaction back then, where somebody sold a million dollars’ worth of a preferred stock in a block. The commission was $5,000. Today it would be a couple of hundred. So I said, “Look.” We made some money off of underwriting, but it was a secondary business. I said, “The core of our business will probably become unprofitable and the commission business will almost assuredly be a tool to selling other products.” I listed real estate and I listed Asia and I said, “Money management. What I want to do is be the guy that goes out and tries to get those different parts of the firm,” which didn’t exist, “started, and diversify our base.”

Geraci: Now, you’re only age thirty.
No, no, no. I’m older than this by now.

Because you had already been made partner and that was six to seven years.

So I can tell you this. Well, I started this firm in 1975, so this speech had to have been about 1972, ’73.

You’re leaving your mark now. This is a new direction.

Yes. So I said, “Okay. I want to go start these three things.” At every turn, they wouldn’t back me. I went to Asia, created a money management exchange with one of the major investment houses in Japan. We would give them X amount of dollars to manage, and they would give us X amount of dollars. Came back, couldn’t get anybody to put up the money to put into Japan in the early seventies, which would have been a total coup. I wanted to hire a smart real estate guy to start real estate activities for us and I was a backup guy. The key guy, who was a superstar at the time, wanted to be a partner from day one in the firm. He said, “I’ve been running my own business. I want to be a partner.” He was willing to invest a $100,000. Even then, $100,000 wasn’t going to make—maybe the firm had a capital of a million and a half, so it wasn’t going to be a big deal. These guys were so traditional they said, “No, we’re not going to make somebody like that a partner.” He said, “Fine, I’ll see you later.” So the number two guy, who I made clear was okay as a backup to this number one guy, but I wouldn’t bet on the number two guy. And they said, “Oh, no, we want to hire him anyway.” Anyhow, the first deal he did, which was a shopping center over in Fremont, turned out to be a disaster. That was the end of the real estate business.

We were invited, because of some people I knew in Hong Kong, to be partners in a merchant bank with some major financial institutions over there. Philadelphia National Bank and so forth. A deal we had no business being in, why would they want us, but it was personal connections. Hong Kong. This is 1973, ’74. I said, “We’re crazy if we don’t own twenty, twenty-five percent of this thing.” Answer, “We don’t want to do it.” Wanted to hire somebody to start a money management business. The guy they wanted to hire, I didn’t like him. I don’t like guys that change their last names.

Take pride in where you came from.

Yes. The guy’s name went from Shapiro to Sutton or something like that. I don’t remember. Yes, to Tuttle. Jason Tuttle. He was one of these guys that
came to work every day wearing a nice blue suit, cufflinks, okay, and basically chose his words very carefully, and to me it was all bullshit.

Geraci: He said very little by choosing words so carefully maybe.

Blum: Yes. To me, he was an obvious phony, and the guys wanted to hire him. Well, finally, we threw him out. I heard later he got into trouble. So after some period of time, I said, “Look, you guys really down deep don’t want to do what I want to do. You don’t really believe the world’s going to change in a major way. I do.”

There’s a lesson in all this. If you’re going to leave an organization, be careful how you do it. Do it as nicely as you can, because you could have been there for twenty years, but if you turn around one day and say, “I’m going across the street, I’m leaving tomorrow,” they will not remember one good thing you did over the twenty years. They will only remember you left the last day. I had seen that as people had left the firm. So I finally sat down with my key partners and said, “Look, I’m not going to go away mad. I just want to go away. I love you guys, I respect you. I don’t think you’re going in the right direction. I want to start my own firm and move on with the things I want to do. Then I won’t be a pain in the ass to you anymore.” I said, “I’ll transition with the stuff I’m doing to somebody else. But just know in six months I’m gone.” That’s what I did. If there were any hard feelings about it at the time, they weren’t visible. Most of the key guys are still around. Some of them not in such good health now.

Geraci: For our next interview, we’ll pick up on these post-Sutro years with the business. I’d like to backtrack just a little bit. Number one, why the interest in Asia? That makes you an early visionary of these Pacific Rim opportunities.

Blum: My first wife and I had gone to Asia as early as 1962. You could particularly feel it in Japan in those days, that they just were going to take off. I went to Hong Kong. I loved the place from day one. There was a beat, there was a desire to move ahead. We developed some good friends, particularly in Hong Kong. There was a broker by the name of Larry Loo. I think he’s still around, still a broker. I haven’t seen him for a couple of years. I got to know his brother who worked for Japan Airlines. The broker was Donald Loo, the brother was Larry Loo, and Larry Loo’s father-in-law at the time was one of the taipans of Hong Kong. I got to know him and what they were doing. They had a publicly owned company called China Engineers, and I invested in that. One thing led to the other, and I said, “These are hardworking people. I think that the longer term growth—” This is a 1970s conversation—“is going to be clearly faster in Asia than it is anywhere else in the world.”
Geraci: Even politically at this point. These are the years of Nixon going into China. The United States is starting to recognize there’s something there in Asia.

Blum: In those days, it really wasn’t about China.

Geraci: It was Japan?

Blum: It was Japan. When I first went to China in 1976 and did a little private venture with some people who were producing silk goods for export, even the taipans, the key guys, Chinese guys in Hong Kong who had escaped from mainland China, when I told them I was going in there to try to work out deals with him, he told me I was crazy. You had guys like Li Ka-Shing, who was the wealthiest guy in Hong Kong by far. You could take everybody else’s net worth, put them together, it’s probably not as wealthy as Li. Li wouldn’t invest in China. All his investments were in Europe. Now he’s probably undoubtedly one of these investors in China. Really in those days, it was all about Japan and Hong Kong.

Geraci: But some of the entrepreneurial energy was shifting to the Asian area, at least.

Blum: Well, I would say Japan and Hong Kong. I always loved Hong Kong. By the way, our largest office from the beginning was, and still is, Hong Kong. There were thirty-some-odd people in Hong Kong.

Geraci: So that makes you then an early pioneer, at least looking in that direction.

Blum: Very much so. Because even with the sophisticated supposedly international companies, investment banks in New York—East Coast, even to this day, even Washington, is Eurocentric. We see that all the time. With all due respect, how much do we care about Belgium? It’s got half the people that Shanghai has. But even if you went back fifteen, twenty years ago when there’s more trade with Asia and the U.S.—not China, but Asia—than there was with Europe, well, they still are looking to Europe. Why would you care about investing in most of those places? Why would you bother with Germany?

Geraci: Just to shift in our last few minutes. You have mentioned a couple of times that at this time you’re also starting to also get involved in playing with politics. This is the late sixties, early seventies. You mention Moscone. What roles did you start playing in local politics?
Well, my interest in politics, kind of what opened my eyes was JFK, clearly. I got to know Fritz [Walter] Mondale back in ’72. I think it was ’72 or ’73. I liked him. He was sort of out of the Kennedy mode. Liberal, idealist, cared about people. In fact, next week I have Fritz Mondale coming to talk at our center in Berkeley, and then speak at the Board of Regents dinner. I actually did work for him pro bono when he was vice president. In fact, Carter and Mondale asked me if I wanted to work for the White House when they got elected, but I had just gone through a divorce and I had three little kids here, so I said, “Look, I’ll help you pro bono. I don’t really want to do that.” Even back then, I was asked if I was interested in being ambassador to Nepal, and I said no.

I got to know John Burton then, because people like Gene Friend and some others asked me if I would—I lived in Marin, and John Burton’s brother had just gerrymandered a district almost person by person that his brother, John, could get elected, which included Marin. I was living in Marin. Roger Kent was the guy with a pretty good sized house that always had the fundraisers for any Democrat. Roger was sick so somebody said, “Would you be willing to have a fundraiser for John Burton?” I said, “Who’s he?” So then I met John. They said, “Look, don’t worry about it. Just put up the house, we’ll put it together.” So I did, and you know who set the table for the dinner? Barbara Boxer. She was working for John back then. I actually probably met Barbara a little bit before I met Dianne. Then Howard Nemerioski who is a buddy, he’s one of John DeLuca’s best friends, because these guys worked together. They were White House Fellows for Johnson. Then, as you know, John left Stanford and became chief of staff for Joe Alioto. I got to know John back when he was working for Joe Alioto. I came to him and said, “Look, I’d like to be involved in helping out the city.” He said, “Well, what do you want?” I said, “Nothing.” And John will tell you to this day, I was the only one that ever came in and said, “Oh, I want to just be helpful if I can be. Nothing I need. I’m happy to pay for my garage when I drive my car to work, you know what I mean, whatever it is.” So we did a few things, not a lot.

Then when George Moscone decided—he was a state senator—to run for mayor, Nemo called me over. He said, “Look, I’m having a bunch of people over. I want you to meet George Moscone and I’d like you to listen to him.” I was moderately interested. I was doing the stuff for Mondale, going back to Washington at least a week or so every month. I didn’t really want to do too much else. Didn’t really want to do anything else. So we’re at Nemo’s house and George said, “Look. I want to take all the major activities in the city and I want to take a fresh look at every one of them, civil service to this, that and the other thing.” So we sat down there. I purposefully sat in a chair behind a large potted plant, hopefully out of the view of Nemo and Moscone.

It worked until the end. They got down to the port. So Nemo says, “Hey, Dick, why don’t you take the port?” Those days, I used to be on the swimming team.
I said, “Why? I don’t know anything about the port. Because I like to go swimming?” He says, “That’s a good enough reason to go.” We go look at the port. So I said, “Okay.” So I met—I’m trying to remember his name now. He was the head of the maritime. Worked for the administration. His wife was actually treasurer of the United States. Very lovely people. I can’t think of their names at the moment. Lived in Marin County.

Then I talked to a few other people. I put this somewhat extensive paper together on what I thought they ought to be doing with the port authority, and I gave it to George Moscone. Went down, handed it to him, talked to him about it a little bit. He said, “Thank you very much.” Okay. He’ll probably throw it in the waste basket. The next thing I know is Moscone comes out of there and says, “This is my position on these ten activities,” and here’s the port stuff. He’s got all my stuff in it. I said, “Oh, my god. This is a politician that actually listens. He bothered to listen to what I had to say.” He must be a pretty good guy.

So he winds up running for mayor. There are three people in the race: Dianne Feinstein, George Moscone, and John Barbagelata. I didn’t know Dianne at that time. The joke is when I first met her, I was for her opponent. Talk about kissing and making up thirty years later. The general consensus was Barbagelata was out in right field, because Dianne was to the right of Moscone, who was very liberal, and that in a runoff, Moscone versus Feinstein, Dianne would win because she’d pick up all the conservative west of Twin Peaks vote. Well, what happened is Barbagelata came on like gangbusters and actually beat Dianne, so she didn’t make it to the finals. And then you had this liberal San Francisco versus a very conservative guy. They have a runoff, and then not until 1:00 or 2:00 in the morning did we actually know that Moscone won. This is before Prop. 13.

The next night there was a dinner. I said, “George. There was a message from the Barbagelata vote. The taxpayers have had it. What you ought to have is a fiscal advisory committee,” sort of like the Little Hoover Commission that they have in Sacramento, “that can advise you on how to take different parts of the city’s operations and make them more effective.”

He turned to me and said, “Dick, that is the best idea I’ve had since I started this campaign. You put it together. I want to introduce you to a guy by the name of Rudy Nothenberg and get it started.” What I didn’t realize was not only was it a good idea—and by the way, that mayor’s fiscal advisory committee is still going thirty years later —that was 1977. It helped George in another way. He didn’t know anybody from downtown. So there was an issue in which it was important for George to talk to the downtown people. I said, “Look, one of the guys on our fiscal advisory committee who you haven’t met yet is Walter Hoadley.” He was the chief economist for Bank of America. “Walter’s a good guy and I’d like to take you down, put a meeting together.”
He said, “Fine, I’ll come down and meet him.” Walked in, I’ll never forget this, to Bank of America with the mayor, who hasn’t been mayor very long now. George is visibly nervous walking into the Bank of America headquarters. He’s mayor of the town. He goes up and someone brings him in, and he sits down and he starts talking to Walter Hoadley. Walter Hoadley went to Mission High. He was a real guy, blue collar background, and these guys hit it off. I could see in George a big sigh of relief. This is not some East Coast guy. So that’s how that got started.

George took what we did very seriously. So did a woman who was then a county supervisor who was interested in one of our reports, by the name of Dianne Feinstein. She called me and said, “Can I have a copy of such and such a report?” which actually had been put together by Bank of America. What it did, it just showed economic and financial trends in San Francisco versus previous years versus other cities. It was kind of complicated. I said, “Look, you want to have lunch? I’ll explain this thing to you.” So we had lunch.

In those days she walked around with security because the Symbionese Liberation Front had actually stuck a bomb in the side of their house that fortunately didn’t detonate. So as we both described, it was a fairly boring lunch. About eighteen months later, we updated that report. By this time, her husband, Burt Feinstein, had passed away, and I’d gone through a divorce. The lunch became dinner, and neither one of us ever went out with anybody else, and the rest is history.

03-00:47:48
Geraci: We’ll pick up on that at a later point. You also mentioned that you’re divorced from your first wife. This is ’75. You had three children?

03-00:48:01
Blum: Yes. Yes. Three daughters. Annette Blum is the oldest; Heidi Blum is my middle child, and the youngest is Eileen Blum Bourgode. I had dinner with Annette, who lives in Los Angeles, Monday night. Annette does a lot of work particularly with people at the Wiesenthal Center with Jewish-Muslim relations. She’s also involved in theater activities with some people that are doing off-Broadway stuff at the UCLA School of Theater. Eileen, who fell in love with Paris in her junior year in Stanford, she and her husband, Alain, who’s French, and their three kids, all born in Paris, lived there for eleven years, and just decided in the last year to move back to the United States. They are currently living with us. We bought a house that’s being remodeled for them. She’s a semi-professional violinist.

03-00:49:31
Geraci: That must make grandpa happy.
Yes, yes. And the oldest granddaughter, Lea, is kind of a superstar. She entered a violin competition, all of France for her age group, 200 people, and came in second. Her little brother—she’s ten, her little brother is seven—plays the cello, and the third one just is three. He just makes noise.

Then my daughter Heidi had a daughter, born and raised in San Francisco, named her Heidi after living in Switzerland for seventeen years. Heidi’s the jock. She’s been in the Himalayas with me a number of times, and she skied for the University of California. She’s got two little boys, and we started a business called Heidi’s Skis. They’re very good high-end, high-performance skis. She is in the process of getting divorced from her husband, Ian, who used to be Mr. Australia. We bought a chain of 24-Hour Fitness clubs up in the Spokane area, so I hope they get along because I own them, he’s running them.

It makes for a tough family situation.

None of these things are great, but it’s okay.

Well, it is ten after 12:00, and we were supposed to be done by 12:00, so I think this is a good wrap-up point for us.
Interview 3: September 18, 2009
Audio File 4

04-00:00:10
Geraci: I would like to pick up with a few more items on the years while you were at Sutro and then move forward to covering the establishment of your own company. We can also interweave your personal life story and exposure to San Francisco politics during those years, and a little bit more about your personal life and interest. One of the things that fascinated me, and we had talked about just before we started taping, was the idea that Sutro was probably one of the few places in the San Francisco financial community where Jewish people felt welcome.

04-00:01:10
Blum: Yes. There were really three what you would call Jewish-centric firms. None of them were completely Jewish. Sutro was maybe fifty/fifty in terms of partnership. Most of the capital, I think at one point, was really from the Sutro family that founded it. There were basically two Jewish firms, Sutro and J. Barth, which later was merged into Dean Witter. When I went in the business, I could not have gotten a job at Dean Witter. The Witters were actually nice people, and when they took over J. Barth, because they were essentially broke, they said, “Well, they can’t accuse us of being WASPs any longer.” There was also Schwabacher and Company, which also liquidated, and a couple of minor firms like Stewart, Eubanks and Myerson. But that was it if you wanted to be in one of the decent sized firms. Today, none of that matters anymore.

04-00:02:40
Geraci: At that time, were they influential within the Jewish community as far as helping and doing community work?

04-00:02:48
Blum: Yes and no. I think it depended very much on the individual. Obviously the Sutro family, which is related to the deYoungs—by the way, a lot of those families are intermarried. I think they’re even related to the folks in some ways at the Chronicle, who are Irish Catholic. So it wasn’t a hard line, but basically you could have gone and gotten an interview at Dean Witter, which I didn’t bother to do because I didn’t think they’d hire me. As much as we are concerned about racism today, and I think that current discussion about racism as it relates to our president is profoundly ugly, we have come a long way. We still have a very long way to go.

04-00:04:03
Geraci: That is obviously in reference to Jimmy Carter’s comment this last week.

04-00:04:06
Blum: Well, yes. But I remember when Obama was elected; I’d ask people like Reverend Cecil Williams. I’ve been on his board for years.
Geraci: Now, that’s the Glide Church?

Blum: Glide Church, yes. Or Willie Brown, who flew east with me to go to the inaugural, or people like Vernon Jordan, who was almost killed in his battle for civil rights and grew up in public housing in Atlanta. I said, “In all your years, did you ever think you would live to see an African American President of the United States?” and all of them said, “Never in our wildest dreams.” So step by step this country has evolved. It will never all go away, but I think the election of Obama proves that anybody can get there.

Geraci: It did turn the apple cart upside down.

Blum: Yes. Now, the way I thought it was going to be interpreted hasn’t quite been as rosy as I had predicted. Because here is this African American family. I have been with Michelle Obama on two occasions. One, Paul Pelosi and I were her escort at the inaugural, and two is that I had her come speak at the commencement of the graduating class at UC Merced. She is every bit as smart as he is. She is a class act and a lovely lady. She has the most beautiful smile you have ever seen, and two great kids. So I thought white America was going to look at this family and say, “Hey, they can be not only like us, too, but even better,” and that that would begin to change the view of whites towards blacks. Probably has, in places like the San Francisco Bay Area and other places.

Clearly in the South it is different. Jimmy Carter is an old friend. He’s going to be eighty-five years on October 1. He said, “I have lived all my life in the South, and racism is still alive and well.” Now, you could argue that the reason they are beating up on the president—because this is a president that realizes there are huge changes that need to be made, whether it’s the financial markets or healthcare or the environment or dealing with Afghanistan or Iraq—is that he is going to upset the status quo in one place or another. So that would rile up the status quo against any president. But the ugly truth is that the number of death threats against this president I am told are up 400%. What accounts for that? At any rate, it’s been a long hard battle all the way from Selma and buses and water fountains.

In a place like San Francisco, I would say most of the barriers are pretty well gone. I remember thirty years ago if you saw an Asian-American couple, people would look at them. Now nobody thinks twice about them. And you have seen the Asians come into their own. Nine percent of the population, forty-two to forty-four percent of the undergraduate students at Berkeley and UCLA, probably other UC campus as well, are Asian Americans. Some people may be concerned about it. Kind of reminds me of the Jews years ago. My attitude is more power to them.
Geraci: As you’re coming in, you did feel, then, a little bit of this sting?

Blum: Yes.

Geraci: Were you a practicing Jew at that point?

Blum: Never really have been. Never was Bar Mitzvahed. I think the neighborhoods in the West Coast, particularly San Francisco—I consider Los Angeles in some ways to be an East Coast city that just happens to be on the West Coast—the ethnic groups are less ethnic here than they are back east. Dianne and I were just at Ted Kennedy’s funeral in Boston. Boy, as you know, the Irish are really Irish and the Italians are really Italian, etcetera, etcetera. This is much more of a melting pot out here. A lot of it is because of the way San Francisco started. This was a town of 5,000 people in probably 1847. Less than ten years later, it was the seventh largest city in the United States, because of the Gold Rush. The history books tell you that when the tents were on the beach here as people landed and made their way up into the foothills of the Sierras, that you could hear a dozen different languages. So people say, “Well, when did the Chinese first come here?” They came when everybody else did. They were brought over from China to work on the railroads. They’re as much a part of this city from the very beginning as anybody else.

Geraci: Nationally, do people look at San Francisco as being the left of the Left Coast? Would it be fair to say that’s just what you’ve explained?

Blum: No, I think Berkeley’s more left. You can say what you want. I find this part of the country about as civilized—sure, we have our problems—as it gets. You call it left, you can call it a little kooky in some spots, but you don’t find the kind of racial problems. Now, you have a place like Oakland that has a high murder rate, but that’s really about gangs fighting over drug territory. Unfortunately, it’s blacks killing blacks, which we don’t do enough about. I would say there is subtle racism. If there were that many whites killing other whites, somebody would be doing more about it. So at any rate, step by step, we’re getting there. It will still probably be here 500 years from now. If anybody’s looking at this tape 500 years from now.

Geraci: Yes. Is the fact that today we have a lot of public discourse on this politics of hate and the sting that many people feel from that, and what you’re telling me then is that San Francisco is probably more of a safe haven?

Blum: Well, look. It isn’t accidental that gays from all over the U.S., arguably from foreign countries as well, came to San Francisco because we are tolerant. The
kid who grew up in Omaha, gay, and could never tell anybody about it because they would beat the hell out of him, could find lots of friends in San Francisco. I think those are the kind of things we celebrate, and should.

Geraci: I think what’s very important for your career, then, is that you felt, even though you were entering a Jewish firm, safe. As you have mentioned to me at other times, a good half of the firm were not Jewish.

Blum: Yes. I didn’t differentiate in my mind between, say, those partners who were Jewish and who weren’t. This was all, frankly, about getting in the front door. Once you were there, it wasn’t sectioned off.

Geraci: Can you describe a little bit about the Sutro Company and what they were doing as you’re coming to work there?

Blum: It was pretty much a gold assaying and then banking business that was on the 400 block of Montgomery Street. It stayed on the 400 block of Montgomery Street for 110, 120 years. It grew up as a traditional brokerage firm. You look back fifty years ago, the way that brokerage firms made their money was on commissions, mainly with retail clients. These big institutions were not buying a lot of securities, or they were run much more conservatively. I can remember when they’d hardly own any common stocks at all, not even the big companies in the United States. Then, of course, before all this blew up last year—they’re still out there—the idea that the city and county pension fund of San Francisco would be investing in emerging markets. When they started doing that seven or eight years ago, it blew my mind.

Part of the problem is you had pension funds running all over the place, whether it was private equity or real estate or emerging markets or, god knows, credit defaults, swaps, sub-prime mortgages. You live through this period when even if you were wrong, you might have got bailed out simply because you were in a bull market. I think there was a sense of hubris, arrogance, almost infallibility among a lot of people in the arena until it all blew up.

It was predictable. I had predicted publicly in at least two places, in a Board of Regents meeting in either March or May of ’07, and I also said the same in a real estate conference. Ken Rosen’s Real Estate Center at Berkeley has a conference twice a year down at Pebble Beach, I said the same thing. I said this thing is going to blow up and when it does it’s really going to be ugly. The only thing that surprised me was how long it took. But that’s usually the way. I must say, I never thought we would come as close to going over the edge as we almost did.
We were okay around here. We didn’t have a good year. We stayed in business. We’re now nine months—well, really almost a year, exactly a year—since the demise of Lehman Brothers. We made back most of our losses. We’re probably out less than ten percent, because we don’t use any leverage within the firm. The companies we own had a minimal amount of leverage. The extent our securities went down, it was because the earnings outlook was bad, not because they had bad balance sheets. You still have a huge problem with real estate, where people pay too much and where credit was available to purchase real estate that is not available now. Over a trillion dollars of it that’s got to be recapitalized in some way. Over the next few years, you are either going to see defaults, or somebody once said the banks will pretend and continue to lend and hope that life will get better.

But it was a debacle that did not need to happen. If you had had proper capital requirements in place, and proper supervision, but you didn’t have either. We were successful in the mortgage business and were very successful in Korea. When we recapitalized the Korea First Bank, 1999—now, this is Newbridge Capital—it was the first private equity people, at least from the U.S., maybe anywhere. It was started by me and David Bonderman from TPG. We restructured along with the Korean government what was then their largest bank, which was essentially broke. We each put in $500 million of capital. We also started the mortgage business in Korea.

Now, we sold the bank about five years ago. We kept it for five years. We structured an attractive transaction with the Korean government as to how we would do that. But we were never going to lose any money in the mortgage business. You say, “How could that be possible?” Well, the Korean government had hard and fast rules that we couldn’t lend any more than fifty percent of either the cost of the home or condominium or appraisal, whichever was lower. Now, that’s pretty extreme, that you make somebody come up with half the value of the house. Whether they could borrow it someplace else or not I don’t know. There was a 250 basis point spread on that on a portfolio where you were never going to lose any money, and we never did. I think the lesson of that is that there ought to be some rules about, first of all, certainly verification of income, and two, that only registered commercial lenders or their registered agents can place mortgages. I think there ought to be a requirement that the bank that writes them keeps a certain percentage of them and not just sell them off.

What happened is they did not really worry about what the credit was because they packaged these things and sold them off. They really had no risk. One of the problems with restructuring all this stuff now is who do you talk to in order to get some of these loans restructured, when you’re having trouble finding out who even owns the darn debt? There are a lot of lessons to be learned. What concerns me is that we are a year out and have no serious legislation, as far as I know, on the table to correct a lot of this mess. The Fed did what it can, could, the Treasury’s done a certain amount. But the systemic
risk that the G-20 talks addressed, which if properly handled would hopefully prevent another almost global meltdown from happening, still is not done yet.

My concern is the further we move away from it, the less pain that people remember, the less likelihood there’s going to be the kind of legislation you absolutely ought to have. So that when all is essentially forgotten, because you have moved on to another generation twenty years from now and all the old-timers are gone, that they do not do it all over again. When I first went into the business, you had these guys who were in their eighties that kept telling me about 1929. It scarred the way they thought about the world for the rest of their lives. I think to a certain extent what people have lived through at the end of ’08 will certainly shape their judgment for as long as they are around, but then new guys come along and it changes.

There are a couple of theories about economics. Just cutting through it, there are the monetarists, or they call them the freshwater economists, the School of Chicago that believes in monetary theory. Then there are the saltwater ones, if you’re referring to MIT and Yale and Harvard, and occasionally throw a bone to Berkeley, that are sort of Keynesians. In both cases, they believe that things come together in pricing, because that’s kind of the perfect market. Increasingly, there is what is called behavioral economics, where it takes into account that people are not particularly rational. They are often irrational in one direction or another. Stocks, commodities, real estate, what have you, fluctuate wildly. I see it here. If you had a good day in the market yesterday, you get the investment committee together, probably going to feel better about things than if it went down. Now, nobody will admit it, but it’s really true.

So this is really a behavioral model?

Yes, I believe in behavioral economics.

Is this what really fell apart, then, in this last year?

Behavior model is correct. In other words, you got to take into account how people’s thinking is affected. The idea that somehow people who trade in securities or real estate or commodities are essentially rational human beings, it just isn’t right. You’re giving the human race too much credit.

I know we’re a little off topic, but I want to keep on this subject for a second here. Throw two things into the mix. One is that traditionally, in many depressions, we can expect a second little bump in the road. Not usually to the extent of the first—kind of like with an earthquake, the next little rumble. The second item for the mix being the fact that our depressions are becoming more global than just national.
Well, let me answer your question in two ways. Mainly when people say what you just said, they’re talking about what happened in 1938 and the stimulus that the Roosevelt Administration put into place that at some point they withdrew. The economy hadn’t gained enough internal motion for the engine to handle it on its own. That’s why you fell into a serious recession again in 1939. In Bernanke, you have a guy who is a great student of the Depression. This idea that somehow the stimulus money is going to wind down or disappear over the next twelve, eighteen months, they are not going to let that happen unless the economy has enough growth on its own to leave it alone.

Now, you got to weigh that against how much debt you have before the dollar slips even further, because that’s the other thing that happened after World War I. They were on the gold standard, which never made any sense to me. This is the major five institutions of central banks that basically got it wrong and arguably almost ruined the world. That’s the U.S., Great Britain, France, Germany and Russia. They were on the gold standard, and then we got into World War I. It wasn’t going to cost anybody very much, because it was going to be over quickly and the vanquished were going to pay for it.

Well, the vanquished were stepped on. Germany couldn’t even feed its own people and still had to pay reparations. Congratulations, you wound up with the Nazis. Something similar to that happened in Russia, and you wound up with the Bolshevik Revolution. The only one that came out of it okay, because we were in the war late and we wound up with most of the gold, was the U.S. France and British paid, we lent them all money, its eighty cents on the dollar. France waited for a while and paid its forty cents for a while on the dollar, and then the Italians waited for a long while and they paid us twenty cents on the dollar. But they were all mad at us anyway. The point of all this is that it really changed the way every society worked from then on and caused problems, some of them which, since the Treaty of Versailles, we’re still living with today, a lot of which had to do with Russia.

If you think about what happened in the last year, basically the central banks, particularly in the U.S., were mismanaged for the reasons we talked about. By the way, we entered into a war that wasn’t going to cost us anything, called Iraq, right. Because when they brought Iraq back, they had three, four million barrels a day of oil production. They could rebuild their own society and pay us back. None of that is ever going to happen, and we have a trillion dollars more as a liability on our balance sheet because of it. At the same time, you had an administration that cut taxes. Only time in the history of the United States that we ever cut taxes when we were involved in a war. So all these things have consequences.

I just came from a two-day University of California Board of Regents meeting. Higher education is becoming more expensive. Great systems like UC are having problems like they’ve never seen, but you can look at everything,
whether it’s health care, it’s the environment, and so forth. I believe that because of our own stupidity, in terms of the banking system and this expensive war, a war that I don’t believe we ever should have entered. I think it was unnecessary and unjust. We have now put burdens on our society financially that, in my view, will take us a long time to get back to where we were, if we ever get there. I’m not sure what this is.

Geraci: Obviously, as an international businessman, it’s important to get your comments and your philosophies dealing with how the economic market is working.

Blum: Now, the second part of the question you asked, I have a different answer to. It was worldwide, sort of. The truth of the matter is it wasn’t worldwide very long in China. Yes, the stock market went down. The Chinese are sitting with two trillion dollars in reserves. They spent $600, $700 billion on a stimulus package on an economy that’s maybe a fourth or less the size of ours, and they turn around. We are owners of a Shenzhen Development Bank; we’re controlling shareholders in China. The banking business is booming there and the losses that they had weren’t anything like ours. And by the way, it’s a huge turnaround. If you went back four or five years, the Chinese banking system was a disaster. The loan portfolio was a disaster, the banks were undercapitalized. They took advantage of the booming capital markets and raised a lot of money for their banks. They wrote off the junk and probably put in some more bad loans on the books as we speak. But in the meantime, one of the things that’s going to pull us out of the recession is Asia continuing to do well.

[Interruption]

Geraci: Restarting. I think it is a good point for us now to move back on track to the topic of Sutro. Let’s talk about a few of the business adventures you had while you were with Sutro.

Blum: Well, I was never terribly interested in most of the companies that I would say the average partner or brokers were interested in. They were the traditional local company. A lot of it had to do almost with family, friends, social connections. It was Wells Fargo Bank, it was Bank of America, it was Crown Zellerbach, it was what was then Standard Oil of California, now Chevron. Some of them had modest potential. Others were just cyclical plays; you had some of the old partners who would put charts down, and they would fill in with pencil every day where the stock was and how it related to the latest quarterly earnings and the price of this, that and the other stuff, whatever commodity affected it.
I was much more interested in what was starting to happen down in Silicon Valley. You had little companies that came out of a garage like Hewlett-Packard. There was Varian Associates, there were companies that disappeared. Ampex is still around. You’ve never heard of Eitel McCullough. They were supposed to be kind of like Varian in terms of making microwave tubes. Then there was the beginning of moving away from tubes towards transistors, first geranium transistors and then silicon transistors, silicon diodes, and that was Texas Instruments and Fairchild Camera. Later on it was Advanced Micro Devices, Intel, and so forth. And then it was the whole business of computer services, because nobody had their own computer in those days. A computer that doesn’t have the capacity, one that you could stick on your wristwatch today, would fill up a room three times this size. If you wanted computing past doing it on your calculator, you went to a computer service. That was a business that grew, prospered, and then disappeared, as a lot of these other ones did.

Early on I took an interest in some of the tech companies. You said do I have any regrets about investment strategy? The one I would have is that I didn’t stay with it. If you look at people like Kleiner Perkins today, or guys like Sandy Robinson, who is now pretty much retired, and who just stayed with the technology and grew with the guys that grew those businesses, the smart guys have been hugely successful. I’m sort of recycling myself now because of the technology bias of my center at Berkeley towards innovation, school of engineering, and finding that the companies that want to help us are companies like Vodafone and Intel, and Tata and Qualcomm and so forth. The message in all this is that our competitive advantage is the fact that we can provide a better higher education than anyplace on the planet, and we are innovators. All these companies didn’t grow up around here by accident. It’s called the University of California. It’s Stanford, it’s Caltech. We got to keep those places healthy or else we will lose it as a nation.

04-00:37:36
Geraci: So by the sixties, as you’re working for Sutro, you’re seeing this whole area open up and you’re moving into it.

04-00:37:43
Blum: Yes. I don’t think anybody had any concept where this was going to take us. Moore’s Law about how fast computing speed—I forgot whatever it is. It doubles every three years, something like that. It’s not exactly that, but it’s very quickly. In fact, you now have biotechnology in medicine. You have the people from places like Genentech saying, “Look, it takes us ten to fifteen years to get a new drug on the market. Why can’t we think through the process and move it more like Silicon Valley?” Well, it’s a different game. Maybe you can’t get it done in twenty-four months, but there’s no reason it should take as long as it does.

04-00:38:39
Geraci: Did you have any interaction then with the venture capital community?
Just peripherally. We strategically, starting with me when I was at Sutro, started to become more of a [Warren] Buffett value guy. I liked building companies. I was never a trader. Some companies we stayed in, believe it or not, for over twenty years. Well, a lot of them we stayed in for more than five years. I like working with companies, working on strategies, helping them build a business. A lot of the same things I’ve learned over the years, whether it’s Northwest Airlines or an engineering company called URS, or whether it’s CB Richard Ellis, which I’m still chairman of, the world’s largest real estate services company, or whether it’s reorienting banks in Asia from helping governments and fat cats to consumer lending, which we’ve done in Korea and we have done in China and a little bit in Thailand, Asia, and also had an interest in doing that in Taiwan. Those are the kind of things that interest me and that I like to do. I am often perfectly willing to stay in these companies for years if they do well for their shareholders. The fact that their markets are growing and they’re on the ball, then it’ll all take care of itself.

The building companies, then, seemed to be your specialty?

Yes, yes. Or sometimes you’re not necessarily on the board or chairman of a board, but you give some guy some advice, maybe it’s one meeting, maybe it’s five years, maybe it’s something shorter than that. I’ve just spent the better part of three years doing this for the University of California, and I think it’s fair to say that the way the place is run has been changed forever and for the better. It was about new strategy, new management. This is particularly hard to do in a bureaucracy that wasn’t used to change. It was often very hard to move people out. And one that just didn’t really think through what they were supposed to be doing, which in this case, they were supposed to be helping the academic mission, not creating a bureaucracy to get in its way, which in fact is what did happen. I think it’s in the process of reversing itself now.

Now, in approaching these, as you say, in building a company, you’re consulting to some of these companies. Were you investing in some? Were you buying some?

Well, one, I’ve always been a consultant for free.

Never paid well.

I guess maybe some people would say you get what you pay for. The way we got a return was investing. If you, as a friend, came here and said, “Hey, look. I’ve got this company that I’m running and I want some advice as to what we ought to do,” I’d be happy to spend some time with you just as a friend and
say, “I think this is what you ought to be doing. By the way, if you ever need extra capital, call us.” More often than not, it was companies that were publicly owned, that we got to know and thought the stocks were reasonably priced, thought the managements were okay and maybe needed a partner. Sometimes we were sought out as partners, because there aren’t any major shareholders and they’re concerned about takeover, or maybe they want to get some financing so that they can grow a new product line or make an acquisition or so forth. We tend to be friendly investors.

Geraci: So you avoided any sort of hostile takeovers?

Blum: We would never do a hostile takeover. If we invest in a company and we don’t think management’s doing the right thing for its shareholders, we’ll let them know about it. We can get tough then. We’re not afraid of a fight, but we don’t go looking for one.

Geraci: There are enough fights without inviting them.

Blum: Yes. Make love, not war. In fact, there’s an article up on the wall there that was in Business Week called “The Art of Friendly Persuasion.” Very flattering article. The reason it’s up there is not because I believe that it’s necessarily accurate, and neither did Fritz Mondale, whose letter is there that he wrote when he was an ambassador in Japan, in which he said he’s never seen a comparison where somebody comes off as Mother Teresa and Warren Buffett at the same time. It’s cute. He said, “I’ve lived a career of artful bullshit, but I never got away with one like this.” And he says, “I presume that your wife Dianne is equally as appalled.”

Geraci: In talking a little bit more about specific things when you were at Sutro, I know one of the stories that always comes up is the Barnum and Bailey deal.

Blum: That was fun. The two guys who were our partners, when we bought Ringling Brothers, were two of the most unforgettable characters I ever knew. One was Roy Hofheinz, or Judge Hofheinz, who had been mayor of Houston, who wanted to bring major league baseball to Texas. It was too hot, so the only way to do it was to build a dome stadium. It was the judge who built the Astrodome. He was the promoter of all times. He was classic Texan in every way. I accused him of being a reincarnation of P.T. Barnum. He used to have the Astro-Bluebonnet Bowl down in the Astrodome on New Year’s Eve followed by five of the best bands you ever heard. He was Vegas before there was a Vegas that mattered. He had events. It was considered the tennis match of the century, that was Billie Jean King and Bobby Riggs. I was down there for that. Or he had Muhammad Ali, or he had bullfights. They didn’t kill the
bulls. You name it, he had it down there. He was bigger than life and probably weighed north of 350 pounds.

Geraci: So literally bigger than life?

Blum: Bigger than life. Had a cigar in his mouth. He was elected county judge when he was twenty-four, and got elected mayor of Houston. Once he wanted the council to vote on a given issue and they wouldn’t show up, so he got the police to bring them in and put them in the assembly and made them vote. They then tried to impeach him and he beat that. He had land that the value went up enough so that he could go borrow. This is when Carter was President and you had prime rate up at twenty-four percent. I think he was running through the night from Peter to pay Paul probably. Eventually he suffered a stroke and was never the same again.

The guy who actually ran it was a little fellow by the name of Irving Feld. He’s since passed away, but his son Kenny still runs the circus today. It’s a very good business; they have two units that go to 104 cities. They don’t talk about first and second. It’s red and blue. So the red unit in two years will go to 104 cities and the blue unit will do the same thing. In some ways, the three-ring circus is a little bit like it was over a hundred years ago with different acts, many seen for the first time in America. It is really Americana, and it’s a great business, because you come to some civic auditorium or arena where they’ll show the circus. The arena’s there not because it makes any money, but because the city wants it. So these guys come in for a week.

I remember in the case of Baltimore, this is thirty years ago, it may have been twenty-five percent of the arena’s revenues for the year resulted from the week the circus was there. Irving Feld, who was a tough negotiator, had all the leverage on his side in terms of the expenses of what it was going to cost. In those days, most of the performers came from—this is when Communism was still around—the Eastern Bloc nations. So you would sit down with a minister of culture of Hungary or Bulgaria or Romania or wherever, where a lot of the circus acts were part of the culture and tradition. I don’t know exactly what he was paying for them. They weren’t as expensive as they were here. So it was a very good business. After a few years, Mattel came along and wanted to buy it. I’d actually introduced the circus people to the Mattel folks.

Geraci: So you were consulting?

Blum: No, I was on the board. I was the guy that put the deal together. You got to remember, this is 1968. This was like a $9 million deal. That was like a billion-dollar deal today. The only assets you had had four legs and walked around, and the biggest ones being elephants. I’ll never forget sitting down
with our senior partner, Shorty Hall, to discuss the deal. Shorty was a father to my business career. He stood at six-foot-five and was born and raised in Edinburgh. He lived most of his life before he came to the United States in the Philippines. He was in Santo Tomas prison camp during the war. Remember, this is Sutro and Company, and this is about Bank of America and Crown Zellerbach and all of these kinds of companies. They’d already concluded that I was some kind of loose cannon anyway.

And now I come in and say, “We want to buy a circus, and we can borrow a certain amount of money. By the way, the hard assets actually move and poop.” I can still see him looking down his spectacles that were hanging on his nose, looking at me like he’s really lost it now. But then he looked up and said, “Maybe it’s interesting.” I said, “Well, look.” I can’t remember if it was just Irving Feld and the Judge. “You listen to the story. I want to do this deal.” But some of the old partners were really skeptical. There was one by the name of Paul Duggan who was really old school, and he grunted all about it. We brought in our correspondence friends at Loeb Rhoades to be part of it. One day we were going out to lunch at a golf and country club—I don’t play golf anymore but I am still a member—and Irving Feld was in the car with me. Right next to Lake Merced is a mortuary called Duggan’s Mortuary. He looked at me and said, “That’s where Paul Duggan ought to be working, not at Sutro and Company.” Somehow I never forgot that.

Any rate, we got it done. We eventually took it public. They don’t have stock certificates anymore. This was still not quite the end of the stock certificate period. They had a stock certificate designed that was the most beautiful stock certificate anybody had ever seen, with circus figures all over it, red, white and blue. I still have a bunch of them put away someplace. I understand they’ve become real collectors’ items.

Geraci: It’d be great to have a photo of that for the interview itself.

04-00:53:44
Blum: Remind me. I think I know where they are. It also reminds me that one of my friends has asked for one and I forgot to send him one. So at any rate, that’s how I made my first million dollars.

04-00:54:01
Geraci: You ended up selling the circus to Mattel.

04-00:54:03
Blum: I didn’t want to do it. I had met the Handlers, who ran the company, and the idea was to license them to make circus toys. Ruth Handler, who is every bit as much a promoter as the other guys were, except they were honest and she wasn’t, talked them into selling for stock. Make a long story short, a few years later Mattel got into trouble and eventually more or less went bankrupt. The bank sold off different assets, and then Irving Feld and his son’s family just bought back Ringling Brothers themselves. It’s still a family-run and -owned
business today. I occasionally see Kenny Feld. He lives in Washington, and they are still doing well. They haven’t quite kept up with the times because they had no real competition.

Audio File 5

05-00:00:00
Geraci: We’re continuing with your years at Sutro, so let’s kind of just pick up where we left off.

05-00:00:26
Blum: In any event, the good news and the bad news about my years in partnership in Sutro is that I had become the youngest partner in the over hundred years of Sutro’s existence. I guess the headline was the good news. The bad news is I was sitting with a bunch of people that—it’s hard to believe—at this point in my career that were substantially older than I was, all of them, and they had a view of the existence over the decade or so before, which was a period of real stability. Not much change, when you talk about the fifties in the United States. General Motors was the largest company in the world. Bank of America the largest bank. Standard Oil of New Jersey was the largest oil company, and the saying was how General Motors went, that’s how the nation went.

There was a lot of truth in that. These people were pretty traditional about their view of life, which was that things continued on pretty much as they had in the past. So look, the sixties were about radical change in the United States. The assassinations, civil rights, the war, but it also brought change in the financial markets, particularly to firms like this, because that rationale for having fixed commissions didn’t make any sense. There’s no reason why that charge shouldn’t be competitive like anything else. By the way, there were other markets starting up; the New York Stock Exchange didn’t have a monopoly necessarily to the business. Nor could anybody have imagined that the biggest markets long-term might not necessarily be located in the United States.

05-00:03:17
Geraci: Or even dominated by the western nations.

05-00:03:19
Blum: Oh, yes. Now places like Shanghai and Tokyo were very, very big markets. It was called May Day because it was May 1st, I think it was 1974, but I could be wrong, that legislation was finally passed that exchange commissions were no longer fixed. So our business model was we were a firm that had never lost money in over the 120 years they were in business. But the money was essentially made by selling Mrs. Jones a hundred shares of General Motors or what have you.

05-00:04:20
Geraci: And then you get a fixed commission?
Yes. For example, I don’t know if I mentioned this in the interview before, but I remember I had somebody who sold a million dollars’ worth of stock in a trade, which was a huge deal in those days. The commission on it was something like $5,000. “Hey, I had a good month.” Today, it’d be based on the number of shares, and instead of $5,000, might not have been more than a couple of hundred dollars. So I said the business model is wrong. We need to diversify. We actually suffered a loss for the first time in the history of the company. As I mentioned before, I had made some dough. So there was a shakeup in the partnership, and I became the second largest partner. By this time, Shorty Hall, I think, had passed away. He was a smoker all his life and he eventually wound up with lung cancer.

With all due respect to the guy who took his place, who is fortunately not a bad guy and we’ve been friends all these years, Warren Berl. Whether Shorty would have made the changes or not, I don’t know. But I said, “Look. We have a good name. We’ve been around for a long time. I think some day the commission business will be essentially given away so you can sell other products.” I talked about money management. That’s what we do here. I talked about international business. That’s also what we started here, and of course real estate. So here I am thirty-some odd years into the business, the chairman of the largest real estate services company in the world, one of the first guys to do private equity in Asia, and our business is basically a money management business. All those lines of endeavor, I guess we were either smart or lucky and we executed them well. Despite the turmoil of the last year, we’ve done very, very well.

I also said, “Look, if you guys don’t change, you’re not going to be around.” One of the lessons I learned by watching people leave the firm was how you left really mattered. You could have been there for thirty years and been a great producer and added to the firm one way or another, but if they heard on a Friday you were going to work for somebody else on Monday, they never said a good thing about you forever. So I told them, “Look, I’m going to leave in six months. I don’t want to go away mad. I’d like to maintain the friendships. We have an honest difference in philosophy.” I can’t tell you how many times since then, even Warren Berl, who basically disagreed with me at the time, even until a few years ago when he got sick. We’d have lunch and he’d say, “Hey, Dick, you were right.” I said, “Forget it. That was thirty years ago.” One of the nice things is despite that, life went on. They did me a favor, because if the firm had changed the way I wanted to, I would have not had as large a percentage of the economics as I had in starting my own firm. At the end of the day, it worked out well. It also was the challenge of getting out from under the safety net of a decent-sized organization to see what it was like when you shared a—I was across the street in a law office. I had one office in the law office and a secretary, and that’s how we started.
Geraci: Were you able to bring any of your clients with you?

Blum: I started a different business. In other words, we were in the money management business. So basically yes. There were people that were clients of mine at Sutro who then wound up later on putting money into our partnerships. But if you look at our business model today, well over ninety percent of the money we have is institutional. It’s the large state pension funds. It’s insurance companies. It’s foreign national organizations. It’s wealthy institutions in Europe, the Middle East, and Asia. So it’s an institutional clientele. Back in those days, it was all individual clients.

Geraci: So you’re opening a new office. You’re out on your own venture. How do you go out and sell your product now? Who’s your new clientele? Who are you approaching?

Blum: I remember there was a fellow by the name of Gene Friend who was probably as close to a non-relative relative as I had. I had lunch with his son just the other day. We have known each other since we were ten or twelve. So the first deal, I went out, and there was a small engineering service company that was subject to a hostile takeover. I had owned some stock and I had some clients that had owned stock in it. The CEO came to me and said, “Hey, can you help us? There’s this one guy who owns a lot of stock who sold a company to us, he wants to retire and I don’t want the block to fall to unfriendly hands.” It amounted to a few hundred thousand dollars. And he said, “Why don’t you buy that? You’ll be the largest shareholder in the company. You can come on as vice chairman.” That was the only time I actually was a paid consultant. He said, “You can help us diversify and grow our business.” So I had to go raise whatever it was, maybe a half million dollars, maybe a little more, a little less. I don’t really remember.

The first one I talked to was Gene Friend, who I used to work in his clothing store on Market Street during the Christmas holidays. He remembered the one time I had a good month and I sold more blue suede shoes than anybody else. Gene was a good guy but a tough, tough sale. His son Bob and I often still talk about this, where he had me almost like on a witness stand sitting in the middle of his kitchen on a kitchen stool. He walked around me asking the toughest questions. This was about the first $50,000 to come into the firm. So I put up some money.

Then Tom Kempner from the Loeb family, from Loeb Rhoades, said, “Dick, we hear you’re going out into business. Our family would like to talk to you.” They did, and helped it. So the fact that I had somebody like the Loeb family from New York, along with some friends, helped me put this original money together. It was a success. Some years later, probably at least a decade later,
this model, which was pretty much KKR thought up, limited partnership model, that everybody else comes in and you charge them a one and a half percent fee and then you get twenty percent of the profits.

Geraci: And when you say KKR, that’s—?

Blum: Kohlberg, Kravis & Roberts. They were really the first private equity firm. I knew George Roberts from before they ever started the firm, when he was at Bear Stearns. One day I’m having lunch with George, and we ran the business differently, on a less profitable model. George says, “No, you don’t want to run your business that way. This is the way we’re running our businesses.” And I said, “Oh, okay. You can do that?”

Geraci: And it’s profitable?

Blum: Of course, everybody now runs these limited partnerships with people like us. You go out and raise a billion dollars, or two, or whatever it is. Those are medium-sized funds today. Then you would never mention a billion dollars. You would go out and raise $200 million, it was a huge deal. You put up, say, three or four percent of the money as a firm, and then you raise the rest from limiteds who pay a one and a half percent management fee. So you can see if you raise a billion dollars, you got a management fee of $15 million a year, which pays for you to staff the firm with a lot of good people, have a lot of incentives for them, and then you take it from there. That pays everybody nicely. But if you wind up doubling or tripling that billion dollars and you get twenty percent of the profits that you spread across the partners, that’s how you get rich and famous in this business. At least rich.

Geraci: That’s how you make your bones on there.

Blum: Yes. That’s how I’ve been able to fund all this other stuff that we do.

Geraci: It seems to me, then, from the Sutro experience, the key factor is you learned where you wanted to go as far as directions, but more importantly, you were able to create the network that you needed to go in that direction.

Blum: Well, remember, I had been partner, deal guy, stockbroker, sort of jack of all trades for a number of years. So I had a following in terms of individuals. It wasn’t like I went out and said, “Hey, look. I want to go buy a major piece of this company,” and I didn’t know who to call. I knew who to call. I’d known the Loeb people for a decade or more. There were a lot of other people like the Gene Friends. So it took me a couple of months to go put a few hundred
thousand dollars together. Maybe not that long. I don’t know how long. We are talking a new firm, 1976, something like that, and it just grew from there. Then the nice thing about this business is if you already have a few billion dollars under management and you go raise another billion, most of that management fee drops to the bottom line because you already have the overhead in place. Then, of course, we’ve had some spectacular years and some spectacular investments where we’ve made, in some cases, ten, twenty times our money.

Geraci:

It’s really a matter of getting that first big one in place?

Blum:

Yes. By the way, you had to be right on your first one. Otherwise, going back to raise more money would have been hard. Fortunately, the first one worked out. The company got in trouble years later; they were only doing fifty million in revenues and couldn’t meet a payroll. Only time in my life I actually guaranteed the payroll personally. I went down to one of their contractors and said, “Don’t blow off this contract. If I have to, I’ll guarantee it personally.” And save the company. It’s URS Corporation. Today it’s a six, seven billion dollar company. It’s one of the largest engineering services companies in the world. We had a falling out with management a couple of years ago when I was on the Board of Regents. They were competing with the university in some ways. It was a conflict of interest I didn’t want to live with, so we sold stock, resigned and moved on. But I was involved with the company for a lot of years.

Geraci:

That’s good. Now, just to finish up on these years that you were in Sutro. What did Dick Blum the person do? What was your personal life? What did you do for fun, for hobbies?

Blum:

A lot of the same things I do now. I’ve always liked the mountains. I had three little kids growing up. Liked to ski, and went to the Himalayans starting in 1968. I was somewhat helpful originally to Joe Alioto when he was mayor of San Francisco, and then I was very close to George Moscone, chairman of his fiscal advisory committee and his economic development commission. That’s how I met Dianne. It was nice. Yesterday we had Fritz Mondale, who is sort of my oldest friend in politics, and the irony is Dianne was almost his running mate in ’84.

My real enthusiasm for politics was shaped around sort of the liberal Kennedy, Hubert Humphrey, Fritz Mondale image of what America ought to be like. Fritz is still there. We actually did his first fundraiser for president outside of Minnesota. He dropped by the house yesterday. He hadn’t seen one of my daughters in thirty years. When I talked to him, he always asked how the pillow throwers were. Now you’re going back to 1974, we had this dinner
where we had Fritz talking about things, and we had my friend Martin Agronsky, who did the television program *Face the Nation*, asking him questions. I lived in Marin County in Ross, we had this old English Tudor house and there was a balcony in it. I had these three little girls. When it was all over with, the pillows came flying down. So Fritz always asks me when I call him, “How are the pillow throwers?” I introduced him to the next generation of pillow throwers because Eileen, my youngest daughter’s kids, my grandkids, are about the same age they were then. I said, “You realize how many years ago that was?”

I also helped Jackie Robinson when I was at Sutro raise some money for the Freedom National Bank of New York in Harlem. They were having trouble raising money, so I went out, talked to a bunch of my clients and said, “Look, I think you ought to buy some stock in this bank. It’s a good thing for the country, it’s a good thing for New York,” and so forth. They finally said to me, “Well, what do you want for raising this money?” I said, “Nothing. I just want you to succeed.” So I was doing this stuff kind of early on.

Getting involved. What was the draw to the Himalayas?

Well, there are two theories about it. One is that I read and saved every *National Geographic* from about the time I was seven on Nepal, Tibet, India, and the Himalayas. Also, Richard Halliburton, who was a big adventure writer for kids in those days, I had a couple of his books that I read over and over and over again. So it was either too much *National Geographic* or Halliburton. If you talk to the monks and lamas, they not only believe in reincarnation, they believe in precognition. So, in fact, the high lamas, when one dies, they go and search for their reincarnation. And if you want to look at a movie, Kundyn, K-U-N-D-Y-N, which means the presence in Tibetan. It’s based on the book, *My Life; My Land and My People* by the Dalai Lama, as to how this groups of monks and lamas searched for a couple of years to find the reincarnation of the Dalai Lama. The thirteenth Dalai Lama died in 1933. The fourteenth Dalai Lama was born in July 1935. He and I have about three weeks difference in age. I joke about it, and often when I introduce him, I say—because we’ve known each other for thirty-seven years—I say, “The only thing I know for sure is that we were reincarnated at about the same time, and we know who His Holiness was in his last life. He was the thirteenth Dalai Lama and he was terrific, he did this, that, and the other thing. What we don’t know is who I was in my last life. I must have done something really terrible to be reincarnated as an investment banker.” That usually gets a laugh.

So you have these monks and lamas hear this story, and my desire to go there as a young man. They say, “Well, maybe you were here in your last life.” I told them after many years of thought I came to a conclusion that I was there in my last life. I was a yak, and all I’m trying to do is return to my pasture.
Geraci: Could it have been you just loved challenge?

Blum: Oh, yes. Yes.

Geraci: You seem to me, from everything we’ve talked about thus far, like a person who loves challenge and avoids the mundane. A seeker of something new, cutting edge.

Blum: Well, I think there are a lot of folks. You see a lot of them in our business. We’re sort of hooked on our own adrenaline. If the adrenaline isn’t flowing, you may wind up in a depressed state. It’s just easier to keep it flowing. I think these days you get accused of having attention deficit syndrome because you’re always going from one thing to another. I’m guilty of it.

Geraci: I think that’s a great stopping point for us for today.

Blum: Okay, good.

Geraci: And then on October 1st—

Blum: I like the way this is going, because it’s different than what I thought. I sort of thought you’d want to be more chronological.
Geraci: I’d like to talk about a lot of the endeavors that you are in. It goes on for quite a few pages in my notes here. You founded Blum Capital in 1975, so let’s start there.

Blum: Well, I really wanted a project to start the business with. It was a smallish engineering company, which over the years when we worked with it, grew to be a very large one called URS Corporation. The fellow who was the CEO of URS was a guy by the name of Arthur Stromberg. He was very concerned that two blocks of stock that wound up in the hands of people who owned companies that were sold to URS, and sold to them for stock, were going to be sold to somebody who wanted to do a hostile takeover of the company. He asked me if we could put some money together to buy these two blocks of stock, and I would come on as a vice chairman of the company and basically be in charge of their strategic diversification program. There was a consulting agreement that went with it. This is before we had any funds. I forget what it amounted to, but it was a couple of million dollars, maybe three million dollars. So I went out and raised it from individuals, a little here and a little there, and put up a certain amount of it myself. So we basically started it.

Day one I was in some little cubbyhole over at a subsidiary of URS that was at that time in the Palace Hotel, called John Blum and Associates. They were seismic engineers. So my first year I spent a lot of time with URS worrying not so much about investor relations, but primarily looking at opportunities for them to diversify what it was that they were doing.

Geraci: Can I stop? When you say URS, what do the initials stand for, and what were they doing at that time?

Blum: They were an engineering services company, smallish. A lot of it was earthquake seismic stuff. They did a certain amount of work for the government, command and control, systems work down at a place called Fort Huachuca. You know where Fort Huachuca is?

Geraci: I don’t know it.

Blum: It’s actually in Arizona. It’s about twenty miles north of the Mexican border. It’s the eastern part of the state.

Geraci: So they’re a national corporation?
Yes. They were smallish then. When we finally helped build the company, year after year, they were probably doing $15 million in revenues. And finally when we sold some twenty years later, revenues were somewhere between $4 and $5 billion. The company went through a couple of cycles. We had to save them once because, frankly, the previous CEO—well, Mr. Stromberg and some of his guys—went ahead and made a couple of acquisitions that we didn’t think were terrific, and they weren’t. In any event, we finally, after a while, recapitalized it one more time and got some decent management in there.

When I went on the Board of Regents just in 2002, this engineering company had grown to the point that they were getting defense work, and they were doing work for the University of California. I think we were all sort of uncomfortable with the potential conflicts of interest. By that time our position was worth something like $300 million, and we sold it. That was about four years ago. But we were involved for pretty close to thirty years with the company, one way or another.

Is that rather unusual to have that long of a relationship?

Extremely unusual. It almost never happens. If you look at most of the buyout firms, there rarely were investments for more than five years.

How come this one lasted so long?

Well, first of all, the funding didn’t come from a fund with a finite date to it. Two, my attitude towards investing is that I like to pick companies that I like. They almost become sort of mini-careers, and work with management to make something happen. I’ve obviously done it in the nonprofit area, too, whether it’s the American Himalayan Foundation or the Blum Center for Developing Economies at Berkeley. I started the mayor’s Fiscal Advisory Committee for George Moscone in 1977. It’s still going after thirty years. I like starting things, particularly based around new ideas and new directions, and building them.

That becomes very obvious. As for the conflict of interest issue, we’ll come back to that in later interviews, because I know when we’re talking later about Dianne’s career, these conflict of interest issues really do come up quite a bit, at least in the media.

Well, there really aren’t any conflicts the way we handle them. It’s perception. Life’s too short.
Geraci: We will get more into those as we go. Now, I notice also in going through the list you had some workings with Asian Pacific purchases. I think it was in the Philippines, they were sugar mills?

Blum: One of the other early investments was with a company called Checchi and Company that did a lot of USAID and other work for contractors for projects overseas. Checchi did a lot of work in the Philippines, and they backed an entrepreneur who was buying the sugar company, or actually several of them, from American interests. A lot of the reason we invested in Checchi was because of a guy by the name of Roberto Villaneuva. He and I became very close friends, and remained friends until he passed away a number of years ago. He was a very decent human being, very successful investor. We not only did deals in the Philippines together, but we also were involved in a couple of ranch property deals in Australia. It was great because they always put me on the board of directors. I never went to a meeting. In every one of the deals, we made money. It finally got to the point that he said, “Dick, aren’t you ever going to come over here and come to the board meetings?” I said, “Look, we’re doing very well without my showing up. I don’t want to jinx it.” But Bert was a great friend.

Geraci: I think going back to previous discussions, this really shows your interest in so many divergent areas. Anything that’s out there is fair game for you at this point?

Blum: Yes.

Geraci: I mean, sugar mills. That seems rather different than everything you had been doing, at least at Sutro. From Ringling Brothers and Barnum & Bailey.

Blum: Oh, yes. Well, some would say, and I probably wouldn’t disagree, I’m sort of a deal junkie. Particularly back in those days, would look at anything where we thought we could make some money.

Geraci: In fact, that’s a direct quote that I have picked up from my readings, deal junkie.

Blum: Yes. It came from me. Look, why would I own a piece of a sheep ranch in Australia? It was a real estate play. I have driven partners, both at Sutro and here, a little crazy over the period of time because you are never quite sure what I’m going to be interested in next, and neither am I.
For example, I just got off the phone while we were delayed, talking to the guys at TPG who were involved in their alternative energy research. I have had meetings this week with a guy by the name of Jay Keasling. He is over in Emeryville. He is part of the UC universe, particularly the lab. He is going to get a Nobel Prize one day, I believe, because he has created a whole new industry called synthetic biology to make molecules synthetically. One of the things they have done is made a diesel molecule synthetically, so there is no oil involved in it. They are building a plant down in Brazil because they can take the sugar and make cellulosic material out of it and turn it into, in this case, diesel. They have also, using the same kind of logic, found a way to take artemis, which is a Chinese herb, and make it much stronger. Basically it will be, when it gets on the market, a cure for malaria. Today you have over a million young children die of malaria every year. With this treatment, if someone gets malaria, the track record so far, which is not complete, is that you take a pill and all the symptoms are gone within twenty-four hours. So you will cure malaria with one pill immediately for twenty-five cents.

Geraci: As opposed to the century-old quinine treatments.

Blum: These children die because they become dehydrated. I mean, a million to a million and a half children die as the result of malaria every year. Ninety percent of the people that die of malaria are under the age of five. So, in terms of human impact, it’s huge.

Geraci: Environmental impact being that most of those countries still use DDT to treat mosquito carriers of malaria.

Blum: Frankly, if you got a choice between spraying your area with DDT or catching malaria and dying, pull out the DDT. So the interim step is—and the Carter Center’s doing a lot of this—bed nets. You throw them over your bed, and if the mosquitoes land on them, they kill them. But a lot of these villagers treat bed nets a little bit like seatbelts. Sometimes they use them and sometimes they don’t. In any event, it’s just an example of something that I find fascinating, so that I’m trying to dig into it and figure out how we might want to invest in the technology.

Geraci: This continues the pattern that we talked about with Sutro. You’re open to new and different experiences and ideas in investment.

Blum: Oh, yes. Don’t talk to me about steel mills.
Geraci: Now, one of the things, in segueing, you were talking about your Australian real estate deal. Isn’t this about the same time that CB Richard Ellis comes into your life as an entity?

Blum: No, no, CB Richard Ellis—well, anyhow, as time went on, I still always had three goals in mind. I wanted to invest in Asia, I wanted to invest in real estate, and I wanted to build a money management fund. So early on, if there was an investment, we would cobble together some money here and there. Our investors were almost always individuals. Today, if you look at our investor base, it’s just the reverse. It’s ninety percent institutional. It’s the state funds, whether it’s New York or California or Minnesota, some of the other ones. It’s the major insurance companies.

Geraci: Now, in state funds, would those be like retirement funds?

Blum: Yes. It is CalPERS and CalSTRS, meaning most of the state’s employees educational employees.

Geraci: Teachers.

Blum: Yes. And they are two of our bigger investors.

Geraci: It seems that during this period, I have a whole list of just different things that came up. Things like Current Media, Janus Mutual Funds.

Blum: Well, okay. You’re skipping in time.

Geraci: Am I? I wasn’t able to find dates on those. Well, let’s take these chronologically then.

Blum: Okay. Well, Current Media was brought to me by Al Gore. But this is about three years ago. So you’re talking 2005 or 2006, as opposed to where we were a minute ago back in the late seventies.

Geraci: Let’s go back and stay chronological.

Blum: Over a period of time, we built funds under management. Rather than when a deal came along and you had to go individual to individual—which is a highly inefficient way of raising capital, and also doesn’t work particularly well if
you need money in a hurry—that you build a base of funds, which
domestically today we have shrunken it back some, but it is around three
billion dollars. We grew Newbridge, which is now TPG Asia, which I am co-
chair of; it’s about six billion. So we can, and still have a lot of dry powder to
write quite large checks. If somebody said, “We want to write a check for
$500 million for an investment today,” we could do that. In those days, I
couldn’t get $500,000 without making six phone calls.

Then I got the idea of going to Asia. I always felt that Asia had the potential
for growth and was always much better than the west. About thirteen years
ago I wanted to start a fund over there. I asked David Bonderman, who started
TPG, if he wanted to come with us. That is how we started Newbridge Capital.
We started with $100 million in a little office in Hong Kong, and we now
have offices in Tokyo and a little bit in Shanghai, in Mumbai and Melbourne,
well, a bit of one in Singapore. We probably have eighty investment
professionals working for us in Asia.

Geraci: What specifically are these companies investing in?

Blum: Well, a lot of what we have done successfully is investing in banks as we did
in Korea. We put $500 million into Korea’s largest bank, and the Korean
government put $500 million in to recapitalize what was Korea’s largest but
yet essentially bankrupt bank. The reason they went broke was they lent
money to a lot of these Chaebols or these big conglomerates that didn’t work
out, or sometimes they were leaned on to lend to friends of the government.
What we always try to do is convert them essentially to consumer banks,
because in these developing countries, if you have an income over $2,000,
you’re usually a potential customer for a bank, whether you are going to buy a
motor scooter or a little car or a refrigerator or a television set. That is going
to continue to grow, particularly in places like India. They say only thirteen
percent of their population is middle class. The rest are all poor. But that
thirteen percent happens to be 150 million people. Getting people out of
poverty is slow, but if you get to 200 million over the next ten years, you’ve
added fifty million more consumers.

So we have been very successful doing that, in China and in Korea. We have a
bank that is doing well in Singapore. We had one in Thailand, and we broke
even and celebrated that we got our money back. We have another one in
Taiwan just to prove that you cannot always be right; it’s not doing very well.

We have also invested in tech. We are the major shareholder, except for the
founder, in the largest automobile distributorship in China. We have invested
in companies that made a soybean drink that you would drink in the morning,
a company called Wai Wai. It’s kind of like the old Ovaltine, but maybe
worse. And we owned a half of the Chinese largest candy company, Da Be Tu,
which was the big White Rabbit candy, and it was eaten all over China. It was so bad we figured that if we could actually get them to produce good candy that we would do very well. But it got complicated. We had people stealing from us. Make a long story short, after a long year and a half of haranguing and negotiations, the company that sold us White Rabbit purchased it back at cost. So we got out of it.

Geraci: Which brings up a question. How is it doing business, especially at this time, in foreign nations with somewhat unregulated economies compared to what you would be doing in the States?

Blum: Biggest problem with development, period, is corruption. With a global poverty hat on, you really see it. If I ask you what the two wealthiest countries were in Asia at the end of World War II, you couldn’t tell me. Try the Philippines and Burma. It just shows you what bad governance can bring you. Turkey’s a great example of what happens when you go from not so good governance to good governance. The country’s turned around and doing pretty well, right? But you see it everywhere. To a certain extent, the lobbying that goes on in this country is legalized corruption. I’m sorry, but that’s what it is. We call it influence peddling, but are votes being bought? Sure they are.

Geraci: I just wondered, did you have to hire certain people with expertise, or did you have to have relationships within the U.S. government to be able to do these foreign business transactions?

Blum: No, we just simply took a very hard and fast line. Once a year we made everybody sign a piece of paper saying that they had read it, and knew it was in the political corruption act, and that they would abide by U.S. law, and that if anybody wanted to take it beyond that, we would have nothing to do with them.

Geraci: Definitely cut them off at that point?

Blum: Oh, yes. And we’ve done just fine without getting involved in influence peddling.

Geraci: Now, in moving from TPG, where are we moving next?

Blum: At any rate, that is how that got going. We did a number of transactions in the eighties as we gradually grew our base of capital and I think had a pretty good track record. We did a couple of good-sized leveraged buyouts. One Kinetic Concepts, the other one CB Richard Ellis, Myer in Australia, which is sort of
the Macy’s of Australia. We are taking it public next month. That is about seven, eight times the money. The other ones were multiples of twenty times our money. Then we had a bunch of investments that some did not do so well and some did moderately well. We were in Northwest Airlines. I was on the board for fifteen years. They had a dinner when I left, and they asked me for a quote as to what my experience had been like at Northwest Airlines, and I said it was long in theater and short on returns. So after a huge amount of time and struggle, I think our returns were probably middle to high single digits. For that you could have put your money in the bank and not bothered.

At any rate, I actually made some very good friends. I essentially did the transaction with a guy by the name of Gary Wilson. Gary and I almost went into business together. He had been one of the key guys in Checchi Company, and then Gary went off to Marriott and became the chief financial officer of Marriott, and then had a similar position at Disney until we put a group together to buy Northwest Airlines. I don’t think we ever got done what we wanted to get done because the airline business is very difficult, you have real union issues.

I think that was going to be my next question. Seems to me that the airline industry over the past two, three decades, at least, has been a very up and down market. Your capital overhead just in planes alone.

There are a lot of problems with the airline industry. Essentially, airline seats are a commodity, and with any commodity business if you are not the low cost producer, you will eventually go out of business. That is what I tried to tell the pilots that were on the board, and they said, “Why don’t you just raise prices?” And I said, “Well, you can’t do that when you’re selling a commodity, if somebody has got a lower price than you have.” Any number of the major airlines, most of them have, in the last five years, gone through bankruptcy proceedings. A lot of these, particularly the pilots who thought they were going to wind up with fairly lucrative pensions, sometimes paid as much as $150,000 a year, wound up being in their sixties and receiving $25,000 or $30,000 a year. At any rate, it’s a tough business.

But from that, John Dasburg, who was the first CEO when we bought Northwest, was talking to the British. I’m sorry. We were talking with the British about something else. But the Germans who owned DHL, they could deliver packages, but they couldn’t fly planes around to deliver the packages because to operate an airline intra the U.S., it cannot be controlled by a foreign shareholder. So we bought DHL Airways from DHL and some other people and have run it. DHL pays for all the operations and a fee under a long-term contract on top of it. It was very complicated. There were some risks that FedEx and UPS were trying to see that this airline did not continue in business. We took on the battle, and three of us bought the airline and have
done very well with it. But why did I know about it? It is because I had spent a lot of time and developed a very close relationship with John Dasburg when he was the CEO of Northwest Airlines.

So relationships really matter in all this stuff.

Because DHL, if I am not wrong, has pulled out of the United States now.

No, they have not pulled out of the United States. They have lost most of their market share. Their strategy, we have tried to explain to them, was not a very good one. They have lost huge amounts of money, but our deal with them is you pay all the costs and you got to pay us this fee on top of it. DHL’s parent is Deutsche Post, which is the German post office that has privatized and gone public. So, in effect, they got to pay us the money no matter how much we fly because it’s de facto, not quite, the German government’s guarantee, but pretty close to it. It’s the post office.

That’s not a bad deal.

It’s a very good deal, actually.

That’s not bad at all. A person whose name has come up a lot in this is David Bonderman. It seems that you are building a very good, close, personal relationship with him.

Well, we’ve been friends for over twenty years. The way I met David is he was the chief investment officer for one of our early, large partners, which was the Bass Brothers, and specifically Robert Bass. At some point a lot of these key guys who formed TPG who were working for Bob Bass left and started TPG. So our relationship, which has been a friendship as much as anything else for twenty-some years, has continued to grow.

If I’m correct, you’ve actually hiked with him in Tibet.

Yes. He’s on the board of our American Himalayan Foundation, and he has been over there with me. The first time was ’87, and the last time was about two years ago. I’ve also taken him to really remote places, like Mount Kailash, which he explained was almost the end of our friendship. He hated it. But he got over it.

That’s good.
He actually wrote this sarcastic piece when he came back, that this trip to Mount Kailash was the equivalent of being a member of a prison chain gang in Alabama. My response to it was entitled, “Sacred Mountains of Alabama.”

That’s good. I think it would be interesting, as in putting this whole packet of memories together, if I could spend an hour or two with him.

Sure.

So we can talk about your relationship and the things you have done.

Yes. I don’t know if you can get two hours in, but you can probably get an hour.

Even if we got that, it would be good. He seems to be a very key central person to both your personal and business life.

Yes. You got to probably do it on a Monday when he’s here. But I can get it done.

Okay, good. Let’s keep that in mind, then. I think that would be very good.

So we are in the 1980s. Anything else that Blum and Associates are starting to do at this point?

It’s hard to remember chronologically, unless I put something in front of me, what we did at any particular time. We kept building our fund base, we kept making investments. At some point, about twenty-three years ago, twenty-four years ago, Colin Lind joined the firm, and until the last year or two was my key partner. We have grown the number of investment professionals and we have grown the number of partners. Today we have, probably including partners, what we sort of call investment professionals, probably eighteen or twenty. That’s just here. That does not count Asia.

That does not count your Asian interests. I know during that time, at least in the late eighties, you began working with Environdyne Industries. Could you talk a little about that?

Yes. It was a successful investment. It was one of our classic searches for companies that were undervalued that had a particular niche, and yet were
doing well. We bought a major position in it and worked with management over some period of time. Then one day they sold that at a good price.

06-00:35:02
Geraci: How do these kind of deals come to you? How do you find out about them?

06-00:35:06
Blum: Well, we have a lot of people searching public markets for ideas. A lot of people will call one of us. I get a lot of calls saying, “Hey, XYZ Corporation needs some money. They need to be restructured. They want to go public in a year. You guys want to own a piece of it?” So we’ll look at it.

06-00:35:39
Geraci: So it’s back to that network again.

06-00:35:43
Blum: Yes. But after all this time, I think a lot of it just stacks up or comes in through the transit.

06-00:35:52
Geraci: Also, by now you have a reputation and you have a name.

06-00:35:55
Blum: Yes. It’s not like I’m exactly a stranger around here. After a half a century, a few people get to know you.

06-00:36:06
Geraci: It’s business goodwill.

06-00:36:09
Blum: Yes. Yes. And I think we have a reputation. You can look at that article on the wall from *Business Week*. It said something about the art of friendly persuasion. We are objective guys that work with companies, try to get something done. We do not do anything that is overtly hostile. I think we have a reputation as being good partners.

06-00:36:40
Geraci: I noticed that in the 1990s, through TPG, which by the way is Texas Pacific Group, right?

06-00:36:48
Blum: Yes.

06-00:36:48
Geraci: And through Newbridge, it seems that you were investing in Australia. You had Qantas Airlines, Coles Myer, the Australian chain, Parkway Holdings and Hospitals.

06-00:37:06
Blum: Yes.
You’re moving in a lot of different directions here.

Yes. Well, we got a team of, particularly in Asia, people looking for opportunities all over the place. You would expect a variety. Without a particular focus of saying we want to invest in health care, we want to invest only in energy or high tech, and just simply having a broader mandate, this is what happens.

Now, correct me if I’m wrong, but it seems to me that the seventies, eighties, even into the early nineties, these were ripe times for Americans to be doing foreign investments. But by the time you get to the nineties, it becomes also a ripe time—or even earlier—for those foreign companies to invest in America. Is there a competition going on in this global economy?

Well, there is competition in everything you do. We have sometimes been in the middle of inter-country transactions. For example, when IBM sold off their PC business to Lenovo, which is a Chinese company, they wanted an American partner, IBM did, to be part of the new ownership group. That is where TPG Asia came in. So yes. If we are going to invest in some company, it’s not just the other investment firms that do what we do, that we’re competing with.

You can be almost competing with governments.

In some cases, yes, particularly a government like Singapore, which has two very, very large funds that act very much like we do.

Just through past experience, also like with the United Arab Emirates right now. Much of theirs is government held.

Yes. UAE does not have the broad kind of sophistication or context that Singapore does. A lot of the investments are, not surprisingly, with ethnically Chinese groups or in that part of Asia. But the big Gulf funds, which Abu Dhabi are huge, are increasingly broadening the base of their investor group and becoming much more sophisticated. By and large, they are pretty goddamn smart investors.

Just to continue. In my research for this interview, the Dragon Iron and Steel Group, food and beverage, it was—I can’t even say it—Guanzheu Yuan Food and Beverage. We talked about your candy. This is an amazing accumulation of very, very different investments. Very diversified.
Yes. Well, you can get on a conference call on a Monday and hear about anything you want. In fact, my view is I don’t listen to them the way I used to. I have people around here, particularly my partner, Jane Su, who deals with the Asia stuff. I’ve moved to the point where I’m looking for returns in the next generation of kids, motivating them to care about global issues, particularly poverty and so forth. Today my life is really half connected with the University of California in one way or another, and this stuff, frankly. Except for a few companies I’m particularly interested in, or say a new technology like synthetic biology, most of the rest of the stuff after half a century just bores me, to be honest, and I let the other guys do it. We have some partners that are doing a very good job.

Has there been a problem or an issue dealing with language or cultural barriers for this kind of international business?

Language not really, because in Asia just about everybody, particularly Chinese Asia, everybody speaks English. As a matter of fact, it’s the lingua franca in that part of the world. Cultural issues are everywhere. It’s not just between, say, here and China or here and Japan or here and Korea. You have cultural issues between here and Georgia. I don’t mean Georgia in Asia, I mean Georgia in the South. Now, obviously, other countries, they tend to be larger. It’s interesting, particularly where you have less developed political parties and less well developed laws, you tend to have the biggest problem.

We have done two large deals in Korea. We did very well in both of them. Frankly, if I never did another deal in Korea it would be fine with me. They would always find some way to object to what we were doing. We restructured and saved their biggest bank. You think anybody ever gave us any credit for it? The only one that did was Kim Dae-jung, who unfortunately passed away about a month and a half ago, who was the man who really brought democracy to South Korea. He understood what we did, and it worked for us, it worked for Korea. We started the mortgage business in Korea. An interesting thing about that is one time we wrote a third of the mortgage business in Korea, but we were never worried about losing money. You say, “Why is that?” Korean law said that you cannot lend anybody more than fifty percent of the appraised value or the purchase price of a home, whichever was lower. So you can go through a shakeup like you had last year and not a lot of defaults.

Those people have a lot of personal equity in their property.
Well, that’s right. I think fifty percent is too tough, but if we had some of the rules like that in this country, and had more discipline in the markets, you would not have had the blow-up we had.

Or at least stuck to the traditional loan of twenty percent down.

Yes. And then genuine proof, documentable proof, that you had the income to service the loan.

Or that you even had a job.

Yes. That is useful. Unless you were stealing from your grandmother or something.

Right. Some mysterious funding of some sort. I do not know if it was exactly during this time, but also you became a board member of the National Education Corporation.

Yes. We’d had an interest in a company that was in the business of training with the use of computers, which today is the way most people learn. This was going back fifteen years ago. This was fairly novel, and it was a company called Advance Systems. Eventually Advance Systems was bought out by National Education Corp, and they were kind of a mess. After we wound up with stock and on their board—that is another one where we had to restructure the thing. We took an unusual way of approaching this. David Jones, who was a retired general who had been the head of the Joint Chiefs of Staff for both Carter and Reagan, was on the board. David clearly understood leadership and management issues, and he was retired. This thing was a mess. I said, “David, would you be first the executive and then the non-executive chairman of the board?”

So he came in there for six months to a year working with the guy who had been the CFO. We had to fire the president because he was not telling the truth about a bunch of stuff. David came in, and there is a guy who spent his whole life—brilliant military career, but had no money, and we gave him some stock options. We put more money in the company, and about two and a half years later sold it for twenty-two. So I was obviously happy that we did well, but I was particularly happy that David, who wore the same suit every year, every day to work, almost as if it had been his Air Force uniform, walked away with a few million dollars.
Geraci: Now, when you speak of the National Education Corporation, what type of things were they involved with?

Blum: Oh, they were in a variety of education-related activities. They had one company that was in the textbook publishing business. Then there was the computer training part of it. They ran for-profit schools. That was essentially what they did. Well, we are a major investor in for-profit schools. ITT Education Systems is one of our major investments, and a company called CECO (Career Education Corporation) and they’re both doing very well.

Geraci: Interesting. The spin over to your working with a public institution and then at the same time investments in bringing knowledge from school to the professional arena.

Blum: Well, most of those tend to be practical training stuff you learn. Nurse, or you take this night course on how to use computers. All sorts of stuff. Increasingly, people get so far with their education, get a job that is kind of a dead end, and they want to advance themselves. They go back to school at night or in the afternoon. It’s about having quality courses, so that when you get a degree from ITT Ed Systems, that it is worth something.

Geraci: Right. It is worth something practical. You have a degree.

Blum: A lot of it is nurses, education itself, and so forth.

Geraci: In 1994, you received the Haas Business School alumni of the year award.

Blum: Yes. If you really want to go back, I was president of what was then the California Business Alumni Association in 1972. So I’ve been associated with that business school for, I hate to tell you, over a half a century.

Geraci: Let’s talk about it.

Blum: I am being given their lifetime achievement award next month, and in their 120-year history they’ve only given a lifetime achievement award to three people. Peter Haas, who the Haas Business School was named after; Gene Trefethen, of winery fame, who raised the money for the building; and then Tom Clausen, who was president of B of A twice, head of the World Bank, and started the Clausen International Center over at the Haas Business School. So I am delighted that I am receiving this honor. I am not sure why.
Geraci: What types of things have you done for the business school?

Blum: Well, one, I have two degrees from the business school. Two, I have been friendly and helpful, depending when and where, with just about every dean of the business school. Laura Tyson, who was president of the Council of Economic Advisors for Clinton, was dean of the Haas Business School. She and I came up with the idea of starting an MBA program at night in San Francisco, a Haas MBA, which has created additional revenues for the school. Then I gave some money, along with Don Fisher, who unfortunately passed away a few days ago, to the Haas School, providing that the chancellor would match the money that we gave them, and more importantly, that the Haas School from then on could pay market salaries for their faculty. If you looked at the Haas Business School’s ratings and what they have done over the period since then, I think to a certain extent because of what we did, they are among the top business schools in public education. The business school is right up at the top.

Geraci: I know it is always somewhat important—especially for the professors in the humanities—that business schools and the medical schools have top salaries, if you’re going to attract the most important people who have the most to offer.

Blum: Well, that’s the problem. You could argue that a poetry professor is just as important as a business professor, but there is a demand for business guys. Maybe there is a demand for poets, but it is probably lesser, and certainly they get paid less. I am not saying that is fair, but that is what the market dictates.

Geraci: In a public institution, that poetry professor salary could very well be coming from one of those successful business.

Blum: They would never admit it. This is the eternal battle at places like Berkeley. You got to like what you’re doing and figure some way how to survive on the salaries, I think.

Geraci: I guess it would be fair to say that when they gave you this award as alumni of the year, you have been one of their more successful alumni?

Blum: I really have not thought much about it. I have been helpful here and there. I think what I am really most proud of is taking off, and it’s been so far a huge success, our Center for Developing Economies, which the business school and Rich Lyons play a role in that. I do not know what motivated them to nominate me for this award, but about three months ago I was given the Berkeley Medal, which they don’t give out too often either. I kind of
understood that, because of the center and, frankly, my contribution when I got the building built and continue to fund this thing is probably north of $30 million.

Geraci: It’s more than the building. It’s the program.

Blum: The difference with the $30 million is—particularly the part that was not for the building. It is different than the way most money is given to the university. Somebody will give them $10 million, $20 million for an endowment. There is a return on the endowment. The chancellor lets them spend half that. So if you had a $30 million endowment and you made seven percent, it would be $2 million a year, of which you would spend $1 million. I said, “I am going to give you this money on one condition. You have to spend it, because if you were only spending $2 million a year instead of this $30 million to do the building and get this program going, we will all be a lot older before anything happened.” They said, “Yes, but maybe it will run out of money and it will bust.” I said, “I don’t think so. I just think it is a venture startup. If I waste my money, I waste my money. But I don’t think it’s going to waste.” And obviously it hasn’t, it’s taken on a life of its own. We have got additional people helping it and so forth.

Geraci: It’s very hard for the university to act as a business entity. Two very different lines of thought.

Blum: Yes. But it was a little easier for them when it was my money, not theirs. If it had been their money, forget it.

Geraci: It would never have happened.

Blum: We would never have gotten there. I think the chancellor would probably be the first to admit it. Yes.

Geraci: I think we are just about done with this tape, and it’s 3:30, so we’re right on time.

Blum: Okay. All right.

Geraci: Let’s call that an end. That’s a good place.
Interview 5: March 2, 2010
Audio File 7

07-00:00:00
Lage: This is your fifth interview session, and for the two of us it’s the first session. Now, our topic is your relationship with the university, but the more I look into it, you can’t separate it out.

07-00:00:27
Blum: That’s true.

07-00:00:28
Lage: So we want to have a broad brush. And also, when we met informally, you mentioned there was more thinking you’d done about the impact of your boyhood.

07-00:00:39
Blum: Yes. I think that when you think about how people wind up, and handling themselves as they grow older, so much of it really goes back to your childhood and what you learn from your parents. I didn’t find that there was that much of that kind of discussion when I was in my forties or fifties or so forth, but I find more and more talking to people sort of north of fifty, my age, that so much of the way you act and react and are motivated to hopefully do worthwhile things really stems from those qualities of life and qualities of how you ought to deport yourself that your mother—as I joke, my mother passed away fifteen years ago, but she still tells me what to do every day.

07-00:01:42
Lage: Right. Well, that’s important.

07-00:01:44
Blum: Yes.

07-00:01:45
Lage: Formation of your values.

07-00:01:46
Blum: Yes, exactly. Yes.

07-00:01:47
Lage: It’s family, but it’s also community and how you grew up. So let’s—

07-00:01:51
Blum: Yes. No, it’s all of the above. I think it starts with family and close friends. You know, particularly as you become a teenager, one influence, for better or for worse, is what your friends have on you. And I think I had both.

07-00:02:13
Lage: Both good and bad?
Blum: Yes, right.

Then when we get there, I want you to think about your years at Cal, since that is our topic.

Sure.

What kinds of lesson you learned.

When I came to Cal, I was kind of a teenager with an attitude. In fact, when I became chairman of the Board of Regents, it was obvious the university had some problems. If they only knew it was not going to get any better for a while. They said, “Do you really want to take this job? You’re going to be in trouble from the start.” I said, “Look, fifty years ago I was in trouble when I was a freshman at Berkeley. There’s one difference between being in trouble now as chairman of the Board of Regents and being a freshman at Berkeley. The former was more fun.”

Well, we’ll get to that. But let’s talk about what you have thought about [regarding childhood influences]. I know in particular you mentioned that you didn’t have a father figure, and that must have had an impact. Is that one of the things you were thinking about?

Yes. I think when your father passes away, as mine did when I was ten years old—. He’d been sick and in a hospital in southern California for the better part of a year before that, and even then he was a traveling salesman, selling raincoats and robes. In those days, you got on the train and you went around. What I knew about my father was that he was a terrific human being. Everybody says he was. But I’m not sure how much of an influence he was. You don’t quite remember at the age of five who did what for you. I think it was really more about my mother, my grandmother. I guess really until I started my business career, or maybe to a certain extent with Dean [E.T.] Grether at the business school. There was a sort of [ages] ten to twenty period where it’s not clear to me who were the major influences, say, other than my mother and grandmother, on my life. I had a stepfather. He only influenced me in as much as we didn’t get along very well. There were a few things about him that were okay, but a lot of what I did was sort of in reaction to what he was all about and saying, “No, not interested in going out to the golf club and playing cards all day and gambling,” and doing that stuff.

So it was a negative kind of—
Blum: Yes.

Lage: You learned what you didn’t want to be?


Lage: You mentioned the golf club and playing cards. Was he a businessman?

Blum: Yes. He sold suits. Middle-class sort of stuff.

Lage: Didn’t have the bigger ambition, maybe?

Blum: No. He never really had much of an education, and he knew this is what he was good at. And I think he was pretty good at it. To give you some idea, there’s a restaurant in town called Harris’. It’s a steakhouse. It’s essentially the same restaurant as it was sixty years ago. It used to be Grison’s. And there’s a restaurant across the street from it, and that used to be Grison’s Steakhouse. The one across the street was Grison’s Chicken House. For over a half century, we have had birthdays and what have you there. I remember when I was about fourteen or fifteen, we’d always went to the Chicken House. Then one day my stepfather said, “We’re going to have a birthday,” or whatever it was, “and we’re going to Grison’s Steakhouse,” because he’d had a good year. And I thought, “We’ve arrived.”

Lage: Great.

Blum: But I also remember things like—there was a corner grocery store three blocks away. This is back during the war. The kid who lived across the street from me was one of my best friends, by the name of George Zoffman. His father was a credit guy for some muffler company or whatever it was. And his father wasn’t always employed. We would go to the store together to buy—the key thing we would buy is bread, probably, milk. What I remember was you could buy bread for twenty-one cents and you could buy bread for eighteen cents, and I was to buy the bread for twenty-one cents and he could only buy the bread for eighteen cents. The three cents was an important thing.

Lage: Kind of a marker?

Blum: Well, what strikes me is with the time I now spend with global poverty issues, it’s easy for us to kind of slough off and say what’s the difference between a
dollar here and there. But to poor people, very small amounts of money make a big difference. Not every one of the people in the administration at UC would agree with me, but one of the policies we’ve taken, about trying to take expenses out, is that some of these low-end workers are told that you can only work seven and a half hours a day instead of eight, and depending on what their wage level is, if it’s an average one, well, that’ll cost them $200 at the end of the month. You might say, “$200 is not the end of the world,” but for them it may be. It may be the difference between paying their bills and not. It may be the difference of whether you’ve got two or three other jobs and so forth. Anyway—

So your growing up not in a wealthy surrounding, it sounds like—

No, no. I would say my parents were middle class. My grandmother, I think at one point when her father passed away, my great-grandfather on my mother’s side, had come from Germany for the silver rush in Colorado, wound up having a general merchandising store first in Montrose, Colorado. My grandmother was born there in 1887. As that boom ended, they eventually wound up in El Paso, and he started a general clothing store then and bought property, invested in mining companies and so forth. By the way, that store has now morphed into a high-end men’s wear store and is still there. It was founded in 1892. It’s the oldest continuing business in El Paso. Our family hasn’t had an interest in it in, oh, at least a half century or more.

They both passed away within about a year of each other, 1921, ’22. Then my grandmother and her two children, my mother and my Uncle Bert, moved to San Francisco. I had never been to El Paso. My brother Bob is now retired, and he’s sort of the family historian. We went through there digging up roots. But the point I wanted to get to is that my grandmother, over the years, started off as a reasonably wealthy woman. For a long time she lived in the Mark Hopkins Hotel during the Depression. Over a period of time, my grandmother was a good soul. She never said no to anybody. There were young people who’d come along with some kind of an adventure for her to invest in. I don’t know that she ever made any money in any of them. So over a period of time her funds were diminished. My father, who was reasonably successful, had left my mother some money, and my stepfather, where he, I guess, paid his own gambling debts, but there was kind of nothing left over and my mother paid all the house expenses.

So I subconsciously grew up with the understanding where my grandmother, who passed away in 1960, and my mother were okay, but they were just spending capital. Most of the last fifteen years of my mother’s life I supported her, which was fine. I was delighted to do it, and very easily could do it. But I also think that it stuck in my mind at some point that I need to get out of this diminishing resource prospect and learn how to make money for myself.
Lage: Yes. Because not every young person has that as their goal. Aren’t even thinking of it early on.

Blum: My kids don’t think about it, because they don’t need to.

Lage: Yes, right. Did your mother have ambitions for you? What did she hold up for you?

Blum: Look, I think if there was a caste system in this country, that I would have had to have been a clothing salesman.

Lage: So she didn’t look beyond that kind of—

Blum: I think she wanted me to get a good education. She had gone to Berkeley, and my uncle had gone to Berkeley, as well.

Lage: So did they just expect you and your brother would go to college?

Blum: Oh, there was never any question about whether we were supposed to go to college.

Lage: Right.

Blum: I do remember sort of wanting to go to Stanford. It was expensive, and I didn’t have scholarships, and getting into Berkeley. I tried out for the Stanford golf team but wasn’t good enough to get a scholarship. And so my mother says, “Well, you’re going to Berkeley.” I said, “I’d rather go in the army than go to Berkeley.”

Lage: Oh, my.

Blum: She called my bluff. I went to Berkeley and never looked back.

Lage: Yes. [laughter]

Blum: I was with the students all day yesterday up in Sacramento. I went to the University of California when it was $75 a semester, and went through perfectly good public schools in San Francisco. A decent education didn’t cost
anything. I don’t know what I would have done under those circumstances with today’s expenses. I guess I would have been doing what all these kids are doing, is having a couple of jobs. You can’t get your degree in four years. It takes you longer because you can’t get to classes.

Lage: Right. You’re working all the time.

Blum: You got to work and you wind up with a certain amount of debt. So I get it.

Lage: Yes. Just to go back again to boyhood, was religion an important part of your upbringing?

Blum: No, not in a—

Lage: You had a Jewish heritage, right?

Blum: Yes. I spent more time going to Saint Emydius with my Catholic friends who would show up there on a Friday afternoon. I did that a few times. My brother and I went to Sunday school. We felt that if you went to school five days a week, it was enough. So they drop you off at Sunday school, and there was a fountain store down the corner, a drug store. This was Sherith Israel, which is on the corner of Webster and California. Sometimes we’d sit there in class, sometimes we wouldn’t. Only to find out a generation later, when I dropped off the kids for Sunday school at the temple over in Marin County, that they’d just wait until I drove away and they went—

Lage: They were doing the same thing.

Blum: They were doing the same thing. One of my daughters has a fairly serious interest in Jewish affairs.

Lage: Sometimes it’s the younger generation.

Blum: And the other two could care less.

Lage: But that wasn’t an important part of a discussion of values?

Blum: No, no.
Lage: Because sometimes you find—

Blum: No. I never quite understood. My father came from a New York Jewish family. His father was an immigrant. All I remember from the earliest age—in the block we lived on, we had the biggest Christmas tree on the block. It was only until years after he passed away that I wondered how he got there, because it would be very hard to find somebody who was Jewish, who was born and raised in New York, with immigrant parents, that would be putting up Christmas trees. In fact, I had this kind of beef with my first wife, who didn’t want a Christmas tree, and I had always had one. I’d put one up one day and I’d not be home the next night, and it’d come down. Back and forth. I actually concluded that she was probably right.

Lage: Yes. Okay. So that wasn’t a major thing. One thing I saw in something you’ve written or a speech you gave, that you went to a military academy for a couple of years. What was that all about?

Blum: Yes. Well, when my father passed away, my mother sort of took over his business selling robes and raincoats.

Lage: Did she travel?

Blum: She didn’t travel much. She did try to do most of it out of their office. His office was forever in a building that still stands. It’s at Third and Mission, this big ugly old building been preserved for whatever reason. It’s the one where Rochester Big and Tall is. My brother and I used to love it, because it wasn’t just an office. He kept a lot of his inventory of robes and raincoats there, all on different shelves. Big shelves stacked all the way up to the ceiling. We spent most of our time using it as a jungle gym or something.

Lage: But was that an experience that had an impact? The military academy? Or people you met?

Blum: Yes.

Lage: You’ve mentioned that Warren Hellman was a student there.

Blum: My mother wanted to kind of plant us someplace. She was a young woman, so she could lead her own life. I hated the place. I say that almost more in retrospect. I think I sort of put up with it, as you did then. But the more I look
back on it, I wasn’t really happy about it. We made some friends. I also had to leave my friends in the fifth and sixth grade when I went to the military academy in Marin County, and I hated the fact you had to wear these uniforms, and there was some guy who was a year older than you and you had to salute. They made you parade up and down with your little wood rifle. My guess is that Warren didn’t much care for it either. Warren said in retrospect, “Maybe it was a reform school.” I said, “Well, if it was, it didn’t take.” [laughter]

Warren and I had been in grammar school, high school and college together.

07-00:20:17
Lage: So you saw him in many ways.

07-00:20:20
Blum: I am going to see him tonight. His wife’s not well. She used to be a very good ballet dancer, so there’s a dinner and a performance at the ballet tonight. We’ve known him, I hate to tell you, for over sixty years.

07-00:20:44
Lage: Wow. That’s a nice friendship.

07-00:20:47
Blum: Yes. Very much.

07-00:20:48
Lage: His family was quite well off? Of a different—

07-00:20:52
Blum: Oh, yes. No, it’s a totally different story. His great-grandfather really was the founder of what became Wells Fargo Bank. Some people think that he had as much to do, over a hundred years ago, with the development and growth of the Los Angeles region as anybody. So yes. Totally different story.

07-00:21:17
Lage: Now, at Lowell—you kind of skipped over that in your earlier—

07-00:21:24
Blum: Well, the difference is I liked Lowell. It was a good school. I have lots of old friends that are still there, not the least of which is Steve Breyer, the Supreme Court Justice. I was at an Alfalfa Club dinner in Washington the other night and they put the Supreme Court justices, the president and some others, up on a dais. Then there’s another fellow by the name of Mark Leland, and Stephen Breyer. He also went there. Mark and I were talking. So Steve sees us and comes down. I said to him, “It’s the Lowell High reunion.”

07-00:22:02
Lage: Well, it’s quite a school with so many distinguished alumni.

07-00:22:05
Blum: Yes, yes. A lot of them.
Lage: Now, you mentioned you didn’t have mentors much. Were there any mentors at Lowell High?

Blum: Well, that’s hard. I would say this. I think, as a young person, you have a lot of influences, whether you want to call them mentors or not. Somebody is an influence on how you ought to think about, if it’s athletics or school or what have you. There was at least one of the fathers of the kids that lived in the neighborhood I would occasionally talk to. But I think it was kind of a collective assortment of people that would have some influence. In other words—

Lage: But not one that stands out?

Blum: The first one, I would say, that really had an influence was a guy who was a senior partner of Sutro & Company, a man by the name of Alastair “Shorty” Hall.

Lage: Was this after you went to work for Sutro?

Blum: Yes, yes. No, it was when I started at Sutro. It was a pretty good-sized firm. Shorty, for whatever reason, took a liking to me, and I used to often sit there. He was an interesting man. He was a Scot. He was born and raised in Edinburgh, and he was the definition of integrity. He had left Scotland at an early age and gone to the Philippines, where he was a stock and commodities trader, and spent the war interned in Santo Tomas. He evidently was the chief negotiator among the prisoners with the Japanese. I always wonder what the hell it was that he could negotiate. After the war, he came over here. He had had his own firm in the Philippines on the stock exchange. Moved to California and joined Sutro. Well, it was a few years he was made senior partner, which was quite a departure because Sutro had had three chairmen in a hundred years. It was Adolph Sutro, who was one of the first mayors of San Francisco. Gustav Sutro. I think it was his brother. And then a fellow by the name of Sidney Schwartz, who was still there when I was there, became senior partner because he married into the Sutro family. I came there in 1958, and it was either that year or the year after was the hundredth anniversary of the founding of the firm. They’d had—

Lage: Three.

Blum: —three people, all the same family, as senior partners all these years. So they were a pretty traditional place. Then at some point, when Sidney stepped down, he was pretty close to ninety, they had decided to make Shorty Hall the
senior partner. And then, some years later, Shorty, who never had a cigarette in his life, got lung cancer and passed away. I think there’s people who knew him well. I’m thinking of one other partner, Al Haas. We have lunch every few months. We never have a lunch when there isn’t some discussion of Shorty Hall. But he was good at talking about how to think about investments. He was fundamentally quite conservative, so I drove him a little crazy because I wasn’t. But he was total integrity.

What I learned from him was a philosophy of life. What the rumble and tumble was of life. He lost his wife, who was killed by the Japanese like two days before liberation. He came over here with three young kids. I guess there were actually four young kids. Then married again. Some of his children are still around. Ten years or so after I joined Sutro, one of them caught meningitis and passed away rather suddenly. I just couldn’t imagine the grief that he must have been going through. I talked to him about it a couple of times. I’ll never forget. He said to me, “When you walk down the street and you look into people’s faces, you never know what kind of sadness they may be enduring.” It was his way of saying, “Don’t feel sorry for me. There’s lots and lots of people that have these issues.”

07-00:27:48
Lage: Yes, interesting. Well, is there anything else you want to say about the early years, before we get you to your entry to the university?

07-00:27:55
Blum: I grew up in a great neighborhood out in Ingleside. The only downside was I never knew what the sun looked like until I was seventeen years old.

07-00:28:04
Lage: Now, why was it a great neighborhood?

07-00:28:05
Blum: Well, first of all, it was a different era. You never worried about anything. Nobody ever had a key to the house. There were lots of kids, and we’d be out in the street throwing around a football and doing whatever it is. My brother and one of his friends were always there. They had a lab and they were always—the chemist, the scientist. And, of course, my brother grew up to be a research scientist.

07-00:28:35
Lage: What were your particular enjoyments as a kid? Was it sports?

07-00:28:40
Blum: I don’t think I was particularly focused on anything. I was just having a good time. I was just doing what kids do. Yes. No, I mean—

07-00:28:48
Lage: Did you read?
Yes, I read. I was involved in lots of sports. I did what I had to do in school. At a reasonably early age I figured out that girls were okay, and it went from there.

Okay. [laughter] Okay. Well, tell me. We know why you went to Cal. You weren’t that happy to be there. Did you live on campus initially?

I joined a fraternity house because two or three—it’s Pi Lambda Phi—of my friends were Pi Lam, and one of my closest buddies still is today. We started high school together. Fellow by the name of Howard Margulis. He’s more or less retired. He’s lived in Palm Springs, Rancho Mirage, for a number of years. We had an apartment off campus. Well, a couple of blocks away from the fraternity, because I never really liked the fraternity. Really, my first introduction to anti-Semitism. In the neighborhood I grew up with, which was almost all Protestant, Catholic, there was never an issue. Didn’t even know there was such a thing as prejudice, except when my friends joined the Olympic Club. My father had passed away. One of the fathers, a guy by the name of Harry Failer, who was a big guy at the Olympic Club, told my mother, he said, “Look, it’s restricted.” I was twelve years old. “If Dick really wants to join, I’ll get him in.” And when my mother told me that there was a restriction or something like that, I was shocked. I had no idea. Now, if you grow up in the East and you’re Jewish, you know from about the time you come out of the womb that there’s Jews and Gentiles. Wasn’t that way at all around my neighborhood.

So your mother hadn’t prepared you for that?

No, because it wasn’t an issue. It’s San Francisco and that—

It was a different—

At least in our neighborhood, and maybe in some other ones, it just didn’t matter.

So what’d you do about the Olympic Club?

My mother said, “You think about it, it’s your decision.” I thought about it and I said, “Look,” to myself, “if this is restricted in some way and Harry’s father has to go out of his way because I’m Jewish to get me into this club, I don’t think I’ll feel welcome there,” so I didn’t join.
Lage: I would think that would have been a really mind-boggling experience.

Blum: Yes. I was pretty shocked by it. On the other hand, I had never been to the Olympic Club. I didn’t even know what it looked like. And the fact that these guys went down there on Wednesdays or whatever it was to play basketball or swim, I didn’t—

Lage: It didn’t—

Blum: It was the concept more than, “Oh, gosh, gee, I can’t go there,” that kind of bothered me. But I sort of internalized it and moved on.

Lage: So what about—

Blum: But when you got to the fraternity—

Lage: They were very—

Blum: It was a Jewish fraternity. I think what bothered me most is there was this continuous discussion of Jewishness.

Lage: In the fraternity?

Blum: In the fraternity.

Lage: Like religion, or discussion about discrimination?

Blum: No, no, no. It was discrimination, and it was kind of ethnic. It was us versus them. I think a lot of them grew up in households, either here or elsewhere, that were like that. It was kind of like those are who your friends were meant to be, and to me it was an awakening. I didn’t like it. I grew to really dislike the fraternity and the sorority system, because in those days it was very segregated.

Lage: Oh, I know.

Blum: It was a sad awakening to reality. I never lived for a day in a fraternity. I was a bit of a rebel; a couple of us almost got thrown out of the fraternity our first
year or our first semester, because they had what’s known as one of these pledge sneaks and they go out. As a matter of fact, it was the only time I have ever been arrested, because we were supposed to bring back flags from Tilden Golf Course. We got caught when we brought them back, by the police. Because it was federal property, we were booked. I was booked. I was eighteen, the other two were seventeen, so they weren’t booked. For years, I had to fill out a form, “Have you ever been arrested?” for twenty years, and I’d say, “Well, yes, about stealing golf flags at Tilden Golf Course,” whatever it was. Even when I joined the Navy Reserve or whatever, any federal application, you had to put this stuff down.

07-00:35:17
Lage: Yes, I know.

07-00:35:20
Blum: Finally somebody once told me, “Look, after twenty years,” or whatever it is—I probably learned about it after thirty years—“you can get it expunged from your record.”

07-00:35:30
Lage: Did you?

07-00:35:31
Blum: I guess I did, because I haven’t had to fill out anything in years. But I can’t remember.

07-00:35:41
Lage: Was that disturbing?

07-00:35:42
Blum: I served on a federal commission for President Carter, and I think even back then—

07-00:35:48
Lage: You were listing it.

07-00:35:48
Blum: I know for the Navy Reserve I had to put all this stuff down.

07-00:35:52
Lage: At the time that it happened, were you mortified or was it a lark?

07-00:35:57
Blum: It was a lark. Did these guys really care that we took these golf flags? Nobody took it particularly seriously. But then what I remembered was—it got to be about 2:00 in the morning, so I went back and went to bed. Then evidently they had sprayed whatever they did over the deck of the fraternity, so all the freshmen pledges were supposed to go clean it up. But I was sound asleep. The vice president was a senior. I was a freshman. He came by to where Howard Margulis and I lived, came in and woke me up and said, “You got to
get over there with your fraternity brothers to clean up the house,” as it was
called. I said, “No, I don’t think so.” So he tried to pull me out of bed. I took
him and I threw him in our closet and I locked the door, so he was locked in a
closet. Probably not terrifically smart, I think, for a freshman pledge to do to
the senior vice president of the fraternity. I left him in there and he’s
screaming. I probably left him in there for the better part of an hour.

Finally I couldn’t go to sleep because he was making too much noise, so I let
him out. Needless to say, this guy was beyond insulted and beyond furious.
These guys are still around, by the name of Rich Kammler. Rich and I went to
high school together. Rich was probably as close to a true juvenile delinquent
as I had as a friend. God knows what Rich got into during high school. He was
really kind of a rebel. He was more than kind of a rebel. He was a rebel. But
he was smart enough.

Fortunately for him and me, we had two good friends that were older in the
fraternity. One was a guy by the name of Jerry Ambinder, who was on the
boxing team, and Rich’s brother Don, who was all-coast water polo. They had
this rule that if three fraternity brothers stood up in a meeting and said, “We
want so-and-so thrown out of the fraternity,” you were out. Well, there was
the vice president of the fraternity and one other guy that were determined to
get Richie and me thrown out of the fraternity. But these other two guys were
always at the meeting. They made it clear whoever the third person was to
stand up and throw us out probably would have his life, if not shortened, his
body substantially abused. They tried to get rid of us two times and they
didn’t do it, so they never brought it up again. That’s what I meant by trouble
in freshman year.

I was one of these kids that never studied except the night before. I took an
exam and I always got very good grades. Well, I took Italian, never went to
class, and found out, well, it doesn’t quite work for something like that.
Freshman year I get an F in Italian. By the way, I’d tried out for the crew team
and I was doing very well. My mother said, “Your crew career is over for the
time being because you got an F. You are on probation.” I actually got to
know quite a bit of Italian the next semester. In those days, you could replace
your grades, so I think the F went to either a B or an A. I can’t remember.
Oh, yes. I studied. I was going to fix that problem. About two years into it I met my now ex-wife, who was studying to be a doctor, who never in her entire life ever got anything worse than an A.

Was she a good influence on you then?

A very good influence, because right through the rest of Berkeley and graduate school, I rarely ever got a B. It was almost all straight As.

Were you engaged with the learning process? Are there classes you remember?

The one thing I do remember is she and I took a course together in art history, of which I can still remember a great deal of it today. I knew that she was going to get an A, so the best I could do was hope to tie her. There was this class of, I don’t know, at least a couple of hundred kids. I remember getting ninety-two total score, which got me an A, and I think it was second in the class. There was only one person ahead of me. It was my ex-wife, who I think got ninety-eight. She got an A+. So any rate, yes. That’s when I kind of settled down, said, “Look, you need to do well in school.” Took a real interest in a lot of courses. Then in my senior year I was on this exchange student program at the University of Vienna, which I think—

You mentioned that with—

Yes. I can’t remember what I told you before. At any rate, I probably learned more about the world and life in general in that experience.

By getting out of the country?

Oh, yes. No question about it. Yes. And that interest in Europe and in travel and far-flung parts has struck with me, obviously, to this day.

Yes, yes. You mentioned, I think when we were talking last time, that you called on Stephen Pepper. You took a philosophy class, was it, from him?

Yes. Everybody took a philosophy course because you could get what—I forgot what they used to nickname it. It was a cheat sheet. But it was the Cliff Notes—
Lage: Oh, the Fybate notes.

Blum: The Fybate notes. Exactly. That’s what they were called. It wasn’t all that hard. This was kind of an easy B or an A. I think he taught it in Wheeler Auditorium. I remember it was a big class like that. Maybe it was one of those big classes in Dwinelle Hall. If people went there, they barely stayed awake. Yet I was kind of intrigued by the guy, and understood he had this world-class reputation, had written all these books. Then eventually started going by to see him, no problem walking in during student hours to see him. Nobody ever went to see him. I quickly felt privileged that here I was, there with this—

Lage: He was an elder statesman by then, wasn’t he?

Blum: Well, he was more than that. He was one of the top in his field in the world, and here was this junior whatever I was, in there, sitting there talking with him for a half an hour. And I go, “Wow.” I felt really privileged. So you can see I went from not so well in Italian to doing much better in other courses as time went on.

Lage: Yes, and being touched by it, it sounds like.

Blum: Yes, yes. Exactly.

Lage: Now, you majored in business. Was there a reason for that? Did you have a plan?

Blum: I think it went to the same issue. Was, gee, I had been going out with my now ex-wife since I was, I guess, a junior. She was a freshman. You want to get married, you want to have kids and you knew you had to support them.

Lage: Something practical.

Blum: Yes. And in a way, it just was in business. Did I think about other things? Yes. I was like, well, would I like to be a psychiatrist or what have you. But it never varied much from getting a good job where I could make a living for myself and presumably my family. Because I saw where my mother helped me and my brother get through college. I also understood it was a dwindling asset, and that if you wanted to have a decent comfortable life, it was only going to happen if I did it for myself.
Lage: You mention in maybe the interview that the campus character was kind of quiet, fifties. What we think of as the fifties.

Blum: Oh, yes.

Lage: And yet the university had just gotten out of this loyalty oath controversy. Was that at all apparent? That divided the faculty.

Blum: I knew about it.

Lage: You did? It was talked about?

Blum: Yes. I mean—

Lage: Because I think even the business school faculty, they lost a couple of professors who resigned.

Blum: Yes. I was sort of unaware of it.

Lage: Yes. I think most undergraduates probably were.

Blum: I think the McCarthy hearings were a little earlier. But I do remember sitting—. Maybe I’ve told this story before. I can’t remember what I’ve told previously.

Lage: Well, it’s quite all right.

Blum: Any rate, that the first week I went to work for Sutro & Company, or the second week, my mother came down and said, “I’ll take you to lunch,” and we went to Jack’s. The father of the guy who became later the senior partner of Sutro & Company unfortunately had just passed away. Warren Berle’s father was there. Eddie Berle. They’d had a family brokerage firm that had gone back years and years. Eddie was a nice guy. He was a rabid Republican. Hated FDR, all that sort of stuff. You got to remember, this is late 1950s.

So my mother and I were going to sit down for lunch, and he was there by himself. My mother knew him and said, “Why don’t you join us?” I remember he was talking about McCarthy and the loyalty oath and all this and I said, “Well, I think there’s nothing quite as un-American as the Un-American
Activities Committee.” I thought he was going to blow his stack. I actually thought I was going to get fired.

Lage: That’s right. You were already—

Blum: Because he was one of the partners, and this kid just walked in this week, just telling him that he totally disagreed with just about everything he was saying politically. But he was a nice guy, and I never heard anything more about it. But there wasn’t much politics during that period. Certainly not around the business school. Everybody said, “Oh, you went to Berkeley in the sixties?” I said, “No.”

Lage: In the fifties.

Blum: I was there in the calm before the storm.

Lage: Right. And you did see the buildup?

Blum: I don’t think anybody did.

Lage: No? No.

Blum: The Vietnam War hadn’t really started yet. You had to get into ’62, ’63, ’64.

Lage: And the Civil Rights Movement wasn’t too active?

Blum: I can’t even remember. My oldest daughter, who got yelled at if there was a diaper issue or whatnot. We had this black and white television set, and watching Mario Savio screaming. She must have been two years old, something like that. She’s looking at the TV set. I can hear this to this day. She said, “Ooh, somebody must have wet in their panties.” Talking about Mario Savio. I’ve reminded her. We were obviously totally in hysterics.

Lage: The funniest—yes, yes.

Blum: And it went on from there.

Lage: Things are different.
Knowing people around the clothing business and having worked in stores, there was some guy who wanted to hire me to go sell shirts for Philip’s Van Heusen at $1,100 minimum a month. I went to work for Sutro & Company for $300 a month.

Ah. This is after you finish your graduate degree?

No, no, no. There was an overlap. Well, let’s see. There was about a six-month overlap where I had gotten most of my courses done. Maybe I was taking some night courses. Already started working. So I got my—

So you didn’t go into the clothing business like your old man?

I never had any interest in it. I’d been around it enough to know that that wasn’t what I wanted to do. Yes.

Now, one thing. This is also related to clothing, but also to the atmosphere on campus. What the fifties are famous for are the panty raids. The panty raid. Do you remember that?

Yes, yes. Yes.

’56.

I remember it well, because it was this warm spring day. I was taking this course in criminology, and we had this excursion to San Quentin. The only time, by the way, I have ever been there.

Now, why was that? Why did you have the excursion to San—

Oh, because it was a course in criminology.

Oh, I see.

Okay. To see how the prison system worked, talk to some of the people running it, some of the inmates and so forth. And we went back to Berkeley and here was this craziness that had gone on. There was the panty raids and the police and water cannon. All this stuff all over the place. I remember my
reaction was, “Gee, I wonder which group should be in jail?” because they seemed to be calmer and saner at San Quentin than they were that night at a party. It was a warm spring evening. I can remember it well.

07-00:51:55
Lage: Yes, yes. It made quite an impact, apparently. Okay.

07-00:52:01
Blum: Well, it must have been the fact that you remembered all these years later. I wouldn’t have thought of it ever if you hadn’t reminded me.

07-00:52:10
Lage: No. You did go to graduate school. What was your thinking there? Why graduate school and why in business?

07-00:52:20
Blum: Well, one, I’d already decided to—I liked school at this stage of the game. I almost went back to finish a Ph.D. Two is I thought, “Well, anybody can get a business degree, B.A. Very few people got MBAs.” Nobody.

07-00:52:41
Lage: It wasn’t the course of study that it is now.

07-00:52:44
Blum: No, no. In fact, the idea that somebody in finance would get an MBA, you couldn’t find anybody. When I joined Sutro & Company and I was either getting my MBA or was just about to finish it, they said, “We never had anybody in a training program that’s ever had an MBA before.” And now it’s like if you’re going to wash the sinks you need one. But my fundamental interest was because after going to Vienna and traveling, I said, “Well, look, I’d like to be involved in foreign trade.” In those days, you had all these brokers that used to represent companies. So instead of, let’s say, some large consumer products company, instead of Clorox selling abroad today, you wouldn’t think of anybody—the world’s your market. In those days you had your representative in Singapore who sold Clorox for you along with god knows how many other things. He’s trading companies. I actually majored in what was called foreign marketing.

07-00:54:05
Lage: That must not have been a very popular major. They didn’t have much international.

07-00:54:08
Blum: Well, no. It was sort of mashed together, and that’s what they called it. I remember walking around and knew some people or somebody knew somebody who got me in the door. Just seeing that these guys were dying on the vine. In fact, one guy had promised me a job. I’ll never forget his office.

07-00:54:34
Lage: These trading companies you’re talking about?
Yes. There was this guy and his partner were there, and in front of them were probably forty desks, all empty. It was just the two of them left. He said, “Well, I got to go out to—,” wherever he’s going. He says, “We’ll get started when he come back.” I said, “Okay, great.” So he comes back a couple of weeks later and he says, “I’m going to do you the biggest favor of your life.” I said, “What’s that?” He says, “I’m not going to give you a job. Don’t go into this business.”

Meanwhile, I had belonged to something called Midas Investors. This was one of these investment clubs where you put in twenty-five dollars a month. I didn’t have twenty-five dollars a month. My mother gave it to me. It was run by John Berle, who was Warren Berle’s younger brother, the son of Eddie Berle. I was intrigued by listening to these investment proposals so I said to John, “Should I be interested in the business?” He says, “Yes, you should be.” To make a long story short, I joined Sutro & Company, but I did talk to—it was sort of the Jewish houses and the non-Jewish houses back in those days. There was Schwabacher and there was J. Barth. Warren Hellman’s father was the managing partner at J. Barth, and there was Sutro. I said, “Well, should I go to Dean Witter?” He says, “You can go there, but they’re not going to give you a job.” I went there anyway, and I remember seeing the guy. He was nice to me, but it was WASP central.

Yes. They loved Cal graduates, apparently.

Well, but it all changed because J. Barth got into trouble and then Dean Witter took them over. I remember the guys at Witter saying, “Well, you can’t accuse us of being WASPs anymore.” All that went away pretty much thirty years ago.

But it did go away, do you think, or was there some resentment between the firms?

No, it died slowly. It didn’t disappear. Even twenty years ago, there was the Lehmans and the Loebs and the Goldman Sachs, and then there was the Morgan Stanleys and sort of the white-shoe crowd. I guess you could find some remnant of it today, but it’d be pretty hard.

I have to stop us and change the tape and find out how you’re doing.

Yes.
Lage: We’ve been looking at the *Bulletin, the Announcement of Courses*, from Berkeley before the recorder was turned on. From 1958-59, when you were in graduate school. I was wondering if it brought back memories.

Blum: Well, there’s certainly a lot of names here that are familiar, professors that I knew, many of them that I haven’t thought of in a half a century. It was a very good group of people and some real innovators, like West Churchman, who was sort of in the beginning of, what I would say, information management. It was almost a new field back then.

Lage: Of course.

Blum: And he came here to start a course for that.

Lage: I remember reading that later that became kind of controversial. Should it be in business or did it belong over in computer science?

Blum: That was after my time. It was pretty much business-oriented. Choh-Ming Li, who was my faculty advisor. He and I stayed friends for many, many years. He eventually left and went to start the Chinese University of Hong Kong. By the way, he was about as bright a man as you could ever imagine. It must have been in the family, because I think his brother got a Nobel Prize in biophysics. I still have his book. He wrote about the economic development of communist China. This was in the 1960s.

Lage: And had he left China and gone to Hong Kong?

Blum: No. Well, he’d been over here for years. Then he went back to Hong Kong, oh, I would think sometime in the sixties. And was charged with starting what’s now a sizeable Chinese university, the Chinese University of Hong Kong. He had just a little office for years on the same street on Calhoun. I used to go by and see him, occasionally have a meal with him. It was interesting because the book that he wrote about the economic development of communist China talked about how the economy was really all about agriculture, and that whether people starved to death or not was dependent on the crop cycle. That was China in the sixties.

Lage: Yes. What was he teaching? Was it about China?
Blum: No. It had a foreign flavor to it. That’s because, at least for me, that’s what my interest was. It was originally foreign marketing before it went to business. I’m trying to remember the name of the course. It was sort of theoretical economics. The one comment he always made, and I still occasionally use it, he said, “When you say something, remember to understand what the implicit assumptions are of what you’re saying.” He was one of those faculty people that actually got you to think. When you make a statement, what got you there?

Lage: Yes. That’s something to think about for this oral history, too.

Blum: Yes. What got me where I am.

Lage: What got you there? What are your implicit assumptions?

Blum: Well, I don’t know. Kismet, I think, or karma. Whatever you want to say. Yes.

Lage: Talk about Dean Grether a little bit.

Blum: If I had somebody here who was a real role model, someone whose advice mattered most to me, it would have been Grether. I think I said this in some of the previous tapes. He was this guy from the Midwest, I think from Minnesota or Wisconsin. Conservative values. Very kind man. I would think basically pretty Berkeley liberal on one hand; I think in some other ways, in terms of business, economics, maybe not so much that way. He was the kind of guy you could go to and say, “Well,”—which I did—“I’m thinking about doing this, that or the other thing with my career.” In fact, after I got my MBA, I had started working at Sutro as a junior security analyst. I was taking courses in the afternoon here in the economics department, with the idea that, well, maybe I’d get a Ph.D. in economics. After a year or so of doing that, I got as far as I could without coming back to school for another year to get the Ph.D. I came to see Grether to ask his advice, fully thinking he’d say, “Well, why don’t you come back and get your Ph.D.” By this time I was already managing his securities portfolio for him.

Lage: Oh, for him?

Blum: Yes. Not that it was a lot of money, but it was a huge honor and recognition. When he asked me to do that, I was really quite pumped up for a twenty-three-year-old kid.
And he said to me, “Well, look. If you want to teach, be a professor, work for the government in economics, or be staff in some large corporation, then maybe you ought to come back and get a Ph.D. But basically you’re the entrepreneurial type. You may not want to come back, because economists need to be fairly sure of anything before they move, and therefore, by definition, aren’t particularly good risk-takers. One, having a Ph.D. after your name might create some suspicion. The whole process might do you more harm than good if what you’re really trying to do is be an entrepreneur.” He knew damn well what the answer was, that I wasn’t interested in being a staff economist someplace.

I was somebody who was going to go out and try to be successful professionally and financially.

So he gave you good advice?

I came in here thinking he was going to say one thing and he told me just the opposite. I go, “Oh, okay. I don’t need to take classes anymore.”

There you go. I should just put on the date. We plunged into that. Today’s March 10, 2010, and this is the sixth session of an interview with Richard Blum, tape eight. And we are at the Bancroft Library now, just to set us on the campus here.

You mentioned that you had one meeting earlier and you have two more after this.

Oh, I had three meetings already today—

Oh, three already.

And then I’ve got two afterwards. So I won’t get done until, oh, after nine o’clock.

Well, I hope they’re all as interesting as I’m finding this.
Blum: I don’t know.

Lage: Anyone else that you want to mention looking at the Bulletin?

Blum: Well, there’s a number of people over here. There were some characters. Royal Roberts was a little guy who always showed up in a blue double-breasted suit. Tried to look like he was essentially English. I don’t know whether he was or not. But kind of leaned on his Ivy League demeanor, which went along with it, as well. Taught marketing courses. As I recall, maybe he just had a ruddy complexion, but I had the feeling that maybe by the time he got around to the afternoon class, he’d had a couple of pops. I could be wrong. I haven’t thought about Royal Roberts in years and years.

Dow Votaw, who taught business law, taught an extremely interesting and useful course. Robert Gordon, of course, was a well-known professor of economics. Clark Kerr was then teaching industrial relations. I’m sorry I never took a course from him. Sherman Maisel, who went on to, was involved with the Federal Home Loan Board or one of the government agencies that had to do with real estate. David Revzan taught a number of marketing courses that I took from him. Boy, you better had done your homework because he sure as heck was going to call on you. It’s amazing how many of these people that I really knew. Paul Wendt, who I’m pretty sure taught real estate and so on.

Lage: You have a good recollection of these professors.

Blum: Yes. I think [Joseph] Garbarino taught labor economics. I’m guessing. Some of these names I literally haven’t looked at in a half a century.

Lage: Yes, yes, yes. Well, as you entered the work world, was the MBA of use to you, either as a degree or as the collection of courses? Or did you kind of go off on your own?

Blum: Well, it’s hard to remember at this stage what you learned as an undergraduate and what you learned as a graduate. I think the fact that—and I’d say the same thing today—if you got an MBA, whether you learned anything in particular in getting it, it says something about you—you’re probably reasonably smart, reasonably ambitious—to a potential employer. But the interesting thing about it was when I went to work on Montgomery Street, they didn’t know what to do with an MBA. The MBAs were not in finance. They barely had one that was in finance.
Lage: Was yours in finance?

Blum: Well, it was, originally, no. It was originally kind of foreign marketing, and then I went back and took the equivalent of all the finance courses I needed to.

Lage: When you got in the field.

Blum: I’d obviously taken some before. But no, mainly the MBAs went to work for the big corporations. The ones in San Francisco would have been like Calpak, which became Del Monte Corporation, or Procter & Gamble, or Ford Motor, or what have you. Those were the only ones that looked to MBAs, and they were by and large not in finance. So the world changed.

Lage: It sure did. It sure did. Something I read—I’m just thinking about your early career again. You mentioned several attempts at business that failed. Was this on the side while you were working on Sutro?

Blum: Yes. Well, I had the first and last trampoline center with a father of a friend of mine in San Francisco. There were 150 more of them in Los Angeles, and so we thought if we opened one in San Francisco, and we’re the first, you could be successful. And then I think some people got hurt on ones in Los Angeles, and they closed as quickly as they opened. I think we were in business for about four months and essentially lost our money. I put in about $3,000 and lost it, which was—

Lage: Which was a lot at that time.

Blum: Yes, yes. I was somewhat dejected about the failure.

Lage: But it kind of speaks to your entrepreneurial spirit?

Blum: Yes. I learned a lot of lessons early on.

Lage: Tell me about the lessons learned.

Blum: Well, the best lesson maybe that I learned which really got us through—I’m talking about Blum Capital—the last year or so without being severely inflicted, or any of our companies, save one, with the lack of credit, over leverage, and so forth. My grandmother had passed away in 1960 and left me
$10,000. I bought a bunch of high tech electronic stocks that allegedly had this great future to them. I think most of them disappeared within a couple of years. I bought them on margin, and so my $10,000 became, in a fairly short period of time, worth $100,000. For a twenty-five-year-old, twenty-six-year-old kid, that was a big deal.

The next thing I knew is the market for these things just got clobbered, and because I bought them on margin, I had triggered a margin recall. They told me that I had to have $11,000 by eleven o’clock that morning, and it was eight o’clock. And $11,000—I had no idea where the hell I was going to get $11,000, or else they were going to sell you out. I thought it was probably the bottom. So I knew this fellow who was a branch manager of the Mechanics Bank of Richmond. The reason I knew him is because his brother, Sabe, was the manager of our Hayward office. I don’t remember what this guy’s name was. It may have been Bill. So I called him and I said, “Gee, I’d like to come talk to you. I need $11,000.”

I drove ninety miles an hour across the bridge, went to Richmond, and he looked at these highly speculative stocks that I had all the money in. He says, “Well, you shouldn’t have bought these things.” I said, “Yes, I know, but I did and it’s too late. I need $11,000. You going to give me $11,000? I’ll pay you back.” So with no security other than “I’ll pay you back,” he gave me the $11,000. I go driving back across the bridge. This is before cell phones, so you couldn’t call anybody. I came running into the cashier’s window at Sutro at about quarter or ten to 11:00 and I said, “Here’s my $11,000.” The stocks rallied the next week or two. I sold enough to pay down the margin, get the $11,000 and pay the bank back, and I said, “I’ll never, ever let myself be in that position again.”

And what’s happened now to the tune of sometimes tens of billions of dollars—a lot of these buyout firms leverage these positions. The banks were stupid enough to lend him the money. So that when the economy went to hell, you now have major defaults, bankruptcies, huge losses of capital. When I started my business thirty years ago, I said, “I don’t want any of our companies to get leveraged to the point where if the credit markets go to hell, if business turns down, that you got to have a margin call.” We had one company that got into some problems and we fixed the balance sheet, but ninety percent of them, a lot of the stocks went down because the business prospects weren’t so good. None of them are in trouble because of overleverage, either on their own balance sheet or because we had leveraged. Everything we do we pay cash for. And I would say a lot of it harkens back to that margin call, and how I felt, and when I said—

08-00:18:56

Lage: And the drive across the bridge.
Yes. And saying, “I’m never going to let this happen again,” and I never have. I made a lot of mistakes, tried a lot of things. I think I made most of the mistakes by the time I was thirty. The secret is to learn from them when you’re young and go on. What I always find is sad is that you find somebody who’s been conservative all their life, they have their life savings and they take some plunge, whether it’s real estate or some stock deal or venture, whatever it is, when they’re, say, in their fifties or sixties or what have you, and then lose it. Part of it is that they had never played in the game, so they didn’t know what to avoid. What I say and will say—I’m doing the commencement address to the business school in May—is that you might as well try to be involved in ventures. Go work for a startup company, and do it early on so you can learn what it’s all about.

Right. Okay, I thought we’d talk a little bit about your relationship with the School of Business and the campus and the university before you were a regent. Just to get a sense of how involved you were and what you saw, what you thought.

I was sporadically involved. There were moments when I did things that turned out to be useful. Well, in 1972—I know because I got the thank you piece of plastic in my office—Dick Holton was then dean of the business school. Asked me to be president of what was then known as the California Business Alumni Association. So think about it. I was president of the alumni that long ago. I don’t remember my doing anything particularly meaningful in that un-esteemed position.

There were a couple of things that mattered. We had problems with, surprise, surprise, faculty salaries. They didn’t think that they were making enough. I said, “Why don’t we start a night business school? Night and weekend MBA program.” Wells Fargo said, “Fine. We’ll give you our space to hold your classes at night. We’ll contribute.” I said, “That’s great.” Then the faculty could come over and teach there and make extra money. Well, two things happened. The idea of a night/weekend MBA program took off like mad, and none of the faculty would bother to go over there. We had to hire a whole new faculty. So the reason I wanted to start the program never developed. Today, I understand from Rich Lyons there’s something like 1,100 kids that are in the night/weekend MBA program, which I’m quite sure generates a useful source of revenue for the business school. That was one thing I did.

Two is when Laura Tyson was dean of the school we lost something like two-thirds, three-quarters of our accounting faculty in a matter of eighteen months. We lost them, to a great extent, because we weren’t competitive with pay. So I said to Laura, “What’s the difference between what the faculty in general are being paid and market?” She said, “Two million dollars.” I said, “Okay. I’ll give you a million.” I didn’t give a million all in one year, but I did over a
couple of years. I got people like Don Fisher, and somebody else—I can’t remember who it was—to kick in on two conditions. One, that the chancellor had to match our million dollars. This was Bob Berdahl. And he did. And two is that forever, the faculty could set their own salaries based on some census of standard at other business schools.

08-00:24:11
Lage: Was that money to fund the faculty salaries?

08-00:24:13
Blum: Yes. We gave the money strictly for faculty salaries. The chancellor matched it, and then they were able to charge whatever they want. That, in combination with the profitability of these extra programs, particularly MBA programs, is one of the reasons why—well, that the business school’s ratings have gone straight through the roof. In fact, *The Economist* says the Haas Business School is the best in the country. I have trouble believing that it’s as good as Stanford and Harvard, but it’s clearly one of the top ten now. So that’s what I did.

08-00:24:59
Lage: And was that controversial on the campus? Do you know?

08-00:25:04
Blum: Put it this way. If it was, I was not a regent, I didn’t know. You’d have to ask Laura Tyson whether there was much of a problem.

08-00:25:18
Lage: At that time, were the students also paying greater tuition for the professional schools? I know they are now.

08-00:25:28
Blum: You know what? I really don’t remember.

08-00:25:30
Lage: Yes. Well, we can find that out. But that’s an interesting tale. You had close relationship with some of the deans. I noticed you mentioned—

08-00:25:44
Blum: Look, I really knew three of them well: Grether, Holton, and Laura Tyson, who I was with yesterday at our institutional conference and is chairman of the board of the trustees of the Blum Center for Developing Economies.

08-00:26:03
Lage: You’re still close with her?

08-00:26:05
Blum: Yes. Unfortunately, the first two ones have passed away. I knew the other ones, I mean, of course.

08-00:26:09
Lage: But you didn’t have a day by day—
No, no. And the one I also knew quite well—I haven’t seen much of him in a while—is Budd Cheit. Cheit and I even served on the board of a Japanese-owned company together. It was Shaklee. It was owned by Yamanouchi Pharmaceutical, and it was an interesting lesson in governance. Bottom line is they had us on the board. We said what we wanted to, and I don’t think they cared for ten seconds what our views were on anything.

Now, was that different from other boards you’ve sat on?

Yes. I’ve actually been on two Japanese boards. They want you there. They tell you they want you there for good advice, and yet they want you there because they want your name on the damn board. I was on the Sumitomo Bank of California Board for years, and occasionally I’d give them advice about something, and they’d always say, “Thank you very much,” and—

Very politely, I’m sure.

Yes. And totally ignore it. Any rate, so in terms of governance, there’s a cultural divide.

Yes, yes. Interesting. Now, did any of these relationships with the business school tie into your own business? The steps you took, your interest in international business, all of that.

I don’t think so.

That was just a separate—

I was just there. I had been an exchange student at the University of Vienna, so I had this international view. I like to travel a great deal, and went to Asia the first time I was married, several times in the early sixties. Believed even back then that they were going to go a long way.

Did you go there just as a tourist?

No—I just went there as a tourist, yes, the first few times. Then one thing led to another, and you’d do a deal in Hong Kong or the Philippines or what have you. So there’s a lot of relationships that go way back.
Lage: We’re just talking about the university, but we shouldn’t be talking in a vacuum because so much was happening with your career.

Blum: Yes. I think, like most people that came here, going to the school was transformative. You learned about a lot of things. I think what it does more than anything else is create interests that you can pursue. I probably wouldn’t have gone to school at the University of Vienna if I didn’t pick up *The Daily Cal* one day and they talked about this program in Vienna. I said, “Gee, that sounds interesting.” So a year later I went off to Vienna, and I traveled all over Europe. I remember saying that this was my twenty-first year alive, and that I learned more in that one year than I did in the twenty years before.

Lage: That seems like a really transformative year for you.

Blum: Oh, yes, it was. So were the years here. I came in as a teenaged kid with an attitude and got more or less squared away as presumably a halfway decent citizen going forward.

Lage: Did you get involved much in the fundraising for the new business school? The Haas School? The building?

Blum: Yes. I wasn’t a major player. We gave them somewhere between a million, a million and a half dollars, something like that.

Lage: A lot of people rallied around for that.

Blum: Yes, yes. The guy who raised the money was Gene Trefethen, of Trefethen Winery, and before that he was head of one of the Kaiser companies. If it wasn’t for Gene, I’m not sure that building ever would have gone up.

Lage: Okay. Now, I just want to get your sense of the university before you became a regent. You mentioned to me, not on the tape, that the one thing you wanted to be was a regent. I’m wondering what you saw, what you understood about the university or maybe its needs. Did you know other chancellors?

Blum: No. I guess my interest was primarily on the business school. By definition, it filtered out a little ways from that. I knew [Chancellor emeritus] Mike Heyman. But I was not an active alumnus. My attendance probably—certainly since I’ve been a regent I haven’t gone—but at the Haas Business School meetings was spotty. I just also believed that I knew what the university had
done for me, and I was concerned about all the issues that we’re now concerned about, which have unfortunately only gotten worse over a period of time. I could have obviously, with my wife as a U.S. senator, served on a lot of things. I just told Gray Davis, before he got elected—I helped him with a couple of things. He said, “If I can ever do anything for you, let me know.” I said, “Yes, put me on the Board of Regents.” Board of—

08-00:32:20
Lage: What was that impetus? Why?

08-00:32:24
Blum: Well, because I knew what the University of California had done for me. I knew what it had done for a lot of my friends. I just felt that it was the best education for the money you could get anywhere in the world, and to the extent I could provide some help, I wanted to do it. Little did I know it would wind up being what it was in terms of this, that, and the other thing.

08-00:32:56
Lage: Your businesses also had some relations with the campuses.

08-00:33:04
Blum: I don’t think so.

08-00:33:06
Lage: I don’t know. This comes up a lot. That you had a construction management business?

08-00:33:14
Blum: Oh, yes. A few years back we had saved what was then a small engineering services company called URS—they were doing probably fifty million dollars’ worth of revenue—from bankruptcy and became the major shareholders. I was a vice chairman. Major shareholder for years. Then, without boring you with a lot of soapy tales, they wound up not only doing some work for the university—you know, I stayed a hundred miles away from it—but then they actually wound up with Lockheed Martin competing against the university for the Los Alamos management contract.

08-00:34:07
Lage: Oh, they partnered with Lockheed?

08-00:34:10
Blum: Yes, without my knowing it.

08-00:34:11
Lage: This was URS?

08-00:34:13
Blum: URS.

08-00:34:15
Lage: And competed for the contract?
Blum: Without my knowing about it. Let me put it this way. The bombs went off, and I finally got to the point where they wanted me to choose between URS and the university, thinking, well, since we had this several-hundred-million-dollar investment in the company that I would side with URS. One day I filed a notice, and we sold all our stock, and I resigned. They were wrong.

Lage: So it was URS who wanted you to resign?

Blum: No, no, no. No, I wanted to.

Lage: Or not wanted you to.

Blum: No, they said, “Look, you got to choose between the university or staying here.” I became more than mildly annoyed. There weren’t any conflicts of interest then. I didn’t like the fact that they went behind me, particularly as a San Francisco company, and competed with the University of California. And, of course, they were particularly annoyed that when I did find out, I sided with the University of California. What probably annoyed them even more is that the University of California, and we brought Bechtel in as a partner, won.

Lage: And this was all after you were a regent?

Blum: Yes. This is after I was a regent.

Lage: Oh. Oh, what an interesting tale that is.

Blum: I just finally said life’s too short. I care more about the university. I don’t need this thing. So I just turned around and sold it. There really weren’t, in a technical sense, any conflicts, but I go out of my way—they were also doing business with the government, particularly DOD, and my wife was on some committees that theoretically could have had influence, although didn’t. So I worry about that, not really with the university very much, but that’s been a sort of—

Lage: It must be hard to avoid conflicts of interest when you have such far-reaching business interests.

Blum: Yes. I often say I have an existential problem. They said, “What’s that?” “I exist.” We really have, over the years, gone out of our way. To know the difference between right and wrong is easy. Dealing with the issue of how
does it look is more problematic. We just bent over backwards, and I think what we’ve proven is you can do that, be married to a U.S. senator, avoid conflict, and still get very good returns.

08-00:37:09
Lage:   Well, I noticed, for instance, that URS is managing—are they still?—the Southeast Quadrant project? The Memorial Stadium and—

08-00:37:21
Blum:   They got fired by the Memorial Stadium people.

08-00:37:22
Lage:   Oh, they did?

08-00:37:23
Blum:   Yes, which pleased me to no end, because on their construction management, they didn’t do a very good job. It’s my understanding that about two years ago they fired them. I think Nathan Brostrom fired them. I didn’t ask him to fire them, but it was certainly okay with me.

08-00:37:45
Lage:   Well, when you’re on a company like URS, you’re a major stockholder and you’re on the board.

08-00:37:50
Blum:   Yes.

08-00:37:51
Lage:   Now, you talked about board governance. How much input do you have on day-to-day basis?

08-00:37:57
Blum:   Well, first of all, we don’t run anything day to day. I don’t even run my own business day to day. I don’t run anything day to day. Not kids, not grandkids, not animals.

08-00:38:12
Lage:   You’re not a micromanager?

08-00:38:13
Blum:   No, never was. My strengths are probably strategy and finance. What I do with these companies is a little bit like what I did with the University of California. I knew we had to run it. I wrote this article that was in all the newspapers about how we had to be strategically dynamic, that we had this bureaucracy that was expensive and did more about getting in the way of the academic mission than helping it. You ought to include this in your collection of stuff, because there’ll be a DVD in about a week. When Bill Clinton came and spoke as a guest of our center last week, he had written me a letter. I don’t even know. Handwritten, I still have it.
When I became chairman of the Board of Regents and said, “You got to slim this thing down,” he said, “I know what you’re talking about, because when I was governor of Arkansas I had the same issues.” He said what most people don’t understand, that the greatest comparative advantage that our country has is our university system, and we need to keep it that way. That’s what all this battle is about that’s going on now. He says, “Basically, the future is with the kids.” When I read that last week when he spoke and I introduced him, when he talked about the comparative advantage, I said, “You,” pointed to the students, “you’re our comparative advantage. We need you to keep doing what you’re doing.” So anyway—

08-00:40:06
Lage: Yes. Oh, that’s a nice—

08-00:40:07
Blum: He had forgotten he’d written this thing. He said, “I wrote that?” I said, “Yes, here’s a copy of it.” [laughter]

08-00:40:12
Lage: [laughter] Okay. Well, you told about talking to Gray Davis. You told me a little more about that when we weren’t taping.

08-00:40:23
Blum: Yes. Well, Gray, I’d got him Dianne’s endorsement. Not that she had any particular love for Gray Davis, because he’d run against her on some kind of mean hit pieces. But we had really no choice. He was going to be the Democratic nominee, and it was against Dan Lungren, who was to the right of Attila on all sort of things, being anti-abortion and what have you. Anyway, my wife was not going to endorse a Republican nominee. So I got her talking to him again, and he got his endorsement, and he made the mistake of saying, “Dick, if there’s ever anything I can do for you, you let me know.” I said, “Yes, put me on the Board of Regents.” It took about three years, but he eventually did.

08-00:41:10
Lage: Why did it take him three years? He made several appointments along there.

08-00:41:14
Blum: Oh, I think because he promised it probably to a lot of people.

08-00:41:21
Lage: Why do you think a lot of people want to get on the Board of Regents?

08-00:41:25
Blum: Well, you can take it from the silly point of view. Somebody once said it’s as close as you can come to knighthood in California. I think anybody who wants to be on this Board of Regents simply so they can say they’re on the Board of Regents, don’t understand it’s a serious undertaking, just shouldn’t be on it. If you look at the history of the university, regents have made some really
important decisions, and some of them pretty bad. As I think I said before, part of it is trying to educate these new regents, because—

08-00:42:08
Lage: You didn’t say it on tape, so if you have—

08-00:42:11
Blum: So they need to do this, because you don’t know who’s going to be the next regent. One day the governor says, “Joe Blow is on the Board of Regents.” I would say this. The good news is it’s not particularly—maybe there’s subtle political innuendo. But if you came in and watched the regents meeting, you couldn’t tell who was appointed by a Democratic governor, who was appointed by a Republican governor. You could easily have come in at one point of time and said, “Hey, this guy who’s cutting all these costs and trying to get this place squared away, who appears most like a Republican,” that might have been me.

08-00:42:55
Lage: But do they do the governor’s bidding?

08-00:42:57
Blum: No.

08-00:42:58
Lage: There have been instances.

08-00:42:59
Blum: There have been. I will say this about Arnold Schwarzenegger. In the entire three years that I was chairman of the Board of Regents, and even before or since, he never once asked me to do anything. In fact, when I told him that we wanted to hire a new president and a couple of other things that were going to be expensive, their answer was, “We need to be competitive. Do what you want.” So did I have any interference from Schwarzenegger? None whatsoever. I think he knew enough about who we were and what was going on that he just left it alone. We had a lieutenant governor who really had nothing to say, who came down here and was, I think, to put it kindly, too political.

08-00:43:52
Lage: Now, which one was that again?

08-00:43:54
Blum: Garamendi. Gray Davis appointed me about on his way out.

08-00:44:07
Lage: That was 2002 he appointed you? And by ’03—

08-00:44:13
Blum: —from everything I heard, was much more in the face of the university for this, that and the other thing. Didn’t want fees to increase. Arnold has never,
ever said anything to us about fees one way or the other. You got to do what you think is right. Part of the dilemma that we got ourselves in, behind the budget going to hell in a handbasket, is that for three or four years, or maybe two or three years, Gray Davis said, “I don’t want the fees to go up.” So they didn’t go up, and then that was starting to do in the university financially. Then when he was gone and you could finally adjust the fees to where they should have been, instead of increasing them 4 percent, you’d increase them 8 percent, or 5 versus 10. Then with the budget cuts, we had to raise them 15 and 16 percent, or a total of 33 percent in a year and a half, which has caused a lot of concern and noise around these campuses. And I don’t blame them.

08-00:45:28
Lage: Yes. It’s a real burden.

08-00:45:31
Blum: So we have that. Trying to bring in more income. We were trying to thin the place down, to get rid of unnecessary overhead, and you want to stay totally competitive for your best people. Not an easy job.

08-00:45:50
Lage: Now, I want to kind of go step by step here. Because it doesn’t seem like you had really an intimate knowledge about the university and how it worked before you became a regent.

08-00:46:02
Blum: Definitely not.

08-00:46:04
Lage: So you come in. Dick Atkinson is president. How were you brought aboard, and what did you—

08-00:46:11
Blum: Well, I’ll tell you what it was. Lynn Schenk, who was the governor’s chief of staff, about every six months I’d say, “Hey, so when are you going to appoint me?” “Well, don’t worry about it.”

08-00:46:27
Lage: You had to keep prodding?

08-00:46:29
Blum: Yes. And he would keep trying to ask you to help him with fundraising. But that’s the way—

08-00:46:35
Lage: It’s a payoff, it sounds like.

08-00:46:38
Blum: I wouldn’t call it that, but if you did look at the people that were appointed by Gray, maybe by Arnold, I don’t know, the first three people he appointed were all major contributors, which I think is not a good strategy. In any event—
Lage: So you said you kept telling Lynn?

Blum: Then all of a sudden, John Moores, who Gray put on the board, who was chairman of the Board of Regents, basically did a fundraiser for somebody who was sort of pro-Prop. 209 or somebody who was—John was a good guy but he’s kind of a conservative Texan, and basically—

Lage: From San Diego.

Blum: Yes. And basically felt that he didn’t really care about diversity. He just said the smart kids are the ones you ought to let in, and came out in favor of helping somebody that was running for something, I don’t even remember, with that view.

Lage: Oh, he publicly expressed some—

Blum: Yes. He did a fundraiser for somebody who was way out on the right. So Gray, the governor’s folks, went apoplectic. Lynn said, “We need you on the board right away.” She says, “There’s a meeting next Wednesday.” I said, “Don’t you have to be confirmed?” She said, “Oh, we have a year to be confirmed, so you can go to the regents’ meeting next Wednesday.” I go, “Oh, okay.” So I went to the regents’ meeting, and then understood that I had to go before a Senate Rules Committee. My old friend John Burton was chairman of the Senate Rules Committee, so it wasn’t a major struggle to be confirmed.

Lage: You weren’t one of the controversial ones that they ended up turning down?

Blum: Not hardly. In fact, there were a couple of Republicans. One of them was a very right-wing guy who was very anti-gay, liked guns and prisons and didn’t care much about schools. I had this meeting with him the day before. When they took the vote, they all voted for me. I won unanimously. I never understood why this guy who couldn’t have been more opposed to everything that I believed in voted for me. Then he died, so I never did find out.

Lage: Had you been following that whole struggle about affirmative action, which happened a few years before, where the regents—

Blum: Sure. The Prop. 209. Well—
Lage: But before Prop. 209, the regents did SP1 and SP2, where they prohibited affirmative action, basically.

Blum: Yes. Well, no, I didn’t follow it closely. I do follow all those activities closely now. If you didn’t think your way around what you could do legally, other than the Asian kids, you wouldn’t see many Hispanics and you’d see even less blacks. So we said, “Well, you can’t admit people based on race. But you can take into consideration the economic circumstances that they come from.” Chances are somebody who comes from a particularly poor family, it’s better than even money that they may be from a minority. The minority kids, by the way, we have to use the term underrepresented minority, because the Chinese and the Koreans and whatnot, or Indians, are not underrepresented. They tend to not do that well on stuff like the SATs. My view is that the SAT was always overrated anyway, because this was a one-shot deal. As opposed to looking at some kid’s grades over three years.

We have something called Comprehensive Review. We have downgraded the importance of SATs. What do they mean by downgrading? I don’t know specifically. I think it’s a little amorphous. Grade-point average, and then it’s what else have you done that will make the people at the university think that you’re going to be a good citizen if you come on campus. That helps, because you got to the point where one admissions period, I think it was a fall semester, only two and a half percent of the admissions were black. The African American kids will tell you that they walk around and they’re the only dark kids around, a lot of them don’t want to be here.

Lage: Yes. It makes it really difficult.

Blum: They feel uncomfortable.

Lage: But are these things that you—

Blum: Let me put it this way. It’s been a problem that’s been around forever. We’ve tried to deal with it, but are we more diverse in terms of our student body today of underrepresented minorities than we were ten years ago? I doubt that it’s much better. And it’s a shame. It’s really a shame.

Lage: Is that a pretty accepted view on the regents, or is that an area of division?

Blum: I don’t think anybody would argue very much. You have people like Monica Lozano, who’s been on the board longer than I have, and she’s Hispanic. She
says, “We keep talking about this stuff. I’ve been on this board eleven years. Nothing’s happened.” And she’s right.

08-00:53:08
Lage: Now, John Moores. I guess no one really knows why he left the board. Maybe you do. But he was very concerned about admissions.

08-00:53:16
Blum: Well, yes. And John, I don’t think he’s got a bigoted bone in his body, because John is one of the biggest supporters of the Carter Center, and the Carter Center is mainly about health care in Africa. I think John honestly believed that if you let kids in that didn’t have the grades into UC, you were setting them up for failure. He believes that to the core. I’m sure he can point to some cases where he’s right.

08-00:53:54
Lage: Do you know why he resigned? Did he—

08-00:53:56
Blum: He resigned also from the Carter Center board. He’s going through a very bitter divorce, and he’s mainly living back in Houston.

08-00:54:13
Lage: So it may not be related to the university politics?

08-00:54:17
Blum: Oh, no, it’s definitely related to the university politics. He finally said, “Look, this place wears me down. I can’t get anything done. I don’t want to waste my time with it,” and resigned. Now, would he have resigned anyways if he wasn’t going through a divorce and some other hardships, I don’t know. But he legitimately believed that this place was impossible to get anything done. I obviously took a different view. And by the way, he’s the first one to tell you that I’ve gotten stuff done that he didn’t think could ever get done.

08-00:54:52
Lage: Now, when you came on—

08-00:54:54
Blum: He’s a good guy. Yes.

08-00:54:56
Lage: When you came on the board, did the president’s office educate you into how the place was run? How did you become a person who could make judgments about what the university needed and what the problems were?

08-00:55:16
Blum: There was no training program. I would say it’s quite sad, because this is a very complicated place to understand. I don’t know how many regents really understand it. I’m not sure. I’m sort of beginning to understand what it is that I don’t know. Having started a center on campus, it’s a different culture. The
politics are very convoluted. A lot of what you would, particularly if you lived in a business world, where you’d say, “Well, of course you’d do it that way.” At the university, not necessarily so.

I just met with Frank Yeary, who’s just taken Nathan Brostrom’s place. One of the things we want to do is basically control the purchase of goods and services for the university, because if you guarantee, let’s say, somebody like Costco a certain amount of business, you’ll get a discount. I forgot who they’re now supposed to get—I think Office Max, they’re supposed to get all their business. If you want something, you got to go to Office Max to get it. There’s a university account and you charge it there. Well, at the end of the year, UC gets a substantial discount on everything that was bought. But a lot of the people around here said, “Look, if I want to go buy a copier, I’ll buy it where I goddamn well please.” They found like there’s twenty different kinds of copiers around here, and the general belief is that if they just really followed some simple rules about where you bought this, that and the other thing, that they could save $30 million.

We’re talking about the campus now? The Berkeley campus?

I’m just talking about Berkeley. The figure of stuff we buy for the whole school is somewhere between $2 and $2.5 billion. People say that your goal ought to be to save 15 percent, or something like $300 million. Well, they’re never going to get there. They’ve gotten about $80 million of it systemwide, but they ought to get to at least a couple of hundred anyways, and particularly in these times. I say to chancellors and faculty and everybody else, if you’re not efficient, you’re driving up tuitions. They don’t like to hear that, but it’s true.

Yes. Okay, I’m going to stop this for just a minute here and change the tape.

[Conversation begins before tape starts] And I’ve stood there on the sidelines of an NFL game.

It’s brutal. It’s coming out more and more with the concussion.

Well, you saw what happened to Jahved Best last year. Guy got thrown nine feet in the air. He was lucky.

Oh. I know. I was there. I saw that. It was frightening.
Blum: Yes, yes. It was the most frightening thing I’ve ever seen in a sporting event. Ever.

Lage: I hope he’s okay. Is he?

Blum: He’s okay. Yes.

Lage: We got to talking about football because you’re meeting with the football coach this afternoon, or having dinner with him. What were you saying?

Blum: Well, I was going to say I think you’ve had really two particularly good football coaches over the last half century or more. When I was in high school you had a guy by the name of Pappy Waldorf who won national champions. Cal was number one, two or three and won a couple of Rose Bowls back in ’49, ’50, ’51. Jeff Tedford hasn’t gotten to the Rose Bowl yet, but he’s substantially improved the teams. The kids love him, and an important statistic is that he’s taken the graduation rate of these kids from 34 percent to 82, 83 percent. So for us who are Old Blues, what we say about the Rose Bowl is “Just once before we die.” [laughter]

Lage: Right. Because you were in school when they went to the Rose Bowl last time.

Blum: One time they went to the Rose Bowl. I wanted to go to the Rose Bowl and my mother wouldn’t let me. So who knew that fifty years later I still wouldn’t—

Lage: You still wouldn’t get there.

Blum: I said, “I’m not going to a Rose Bowl unless Cal’s there.”

Lage: Are you a basketball fan, as well?

Blum: Not really, no. It’s too bad because they do well.

Lage: Had a good year this year.
Having said that, one of the star players who went on to the NBA, who was my roommate and unfortunately passed away a few years ago, was Larry Friend, who was part of that 1959, ’58, ’59, ’60 teams.

He was your roommate in college?

Yes, yes.

Oh, yes. He played for Pete Newell, then?

Yes. In fact, I talked him into coming into the investment business. He worked with me at Sutro for a while and then went on to Bear Stearns. He used to play a half year for the Knicks and I think for the Lakers, and then the other half year he’d be a stockbroker.

Okay. We only have another ten minutes, so let’s think of how we can best use it. I’m still eager to know—at some point, two or three years after you became a regent, two years, maybe before, you decided the place was a mess and it needed a redo, a makeover. And I’m wondering what—

No. I knew it was a mess almost immediately.


Well, look. I’ve spent a career looking at organizations, mainly for-profit businesses, and I have a sense of when they’re well run, doing what they’re supposed to be doing. What was clear to me from the beginning was that this was a hopeless bureaucracy.

But what did you—

There were certain people that struck me as really not executing what they were supposed to execute. I’m sorry to say that one of them was Bob Dynes. The other one was Larry Hershman, who was close to [being] the CFO [chief financial officer]. I didn’t think he had any of the skills and basically made arbitrary decisions. One of the things I learned early on was I was talking to—I’m trying to remember who the provost was then. Paul.

Here at Berkeley?
Yes. He was from engineering. Good guy.

Paul Gray?

Paul Gray. We were talking about Berkeley and I said, “What’s your capital expenditure budget?” He said, “Fifteen million dollars.” I said, “That won’t even repair the toilets around here.” So I said, “Will you come over to my office when you have a moment? I’d like a fast course in Berkeley Finance 101.”

Then I started to understand that these expenditure caps were just arbitrarily laid on by Larry Hershman, and that the belief was that our debt capacity was only some number less than a billion dollars. I looked at the balance sheet and the income statement. I said, “That makes no sense to me. I’m sure we have much more debt capacity than that.” I brought the guys in from Lehman Brothers who knew the university. They said, “No, your debt capacity is not a billion dollars. If you’re willing to go down to A credit, it’s probably eleven billion dollars.”

Now, you mean change the credit rating on the bonds?

No, leave them. Well, maybe they were AA and they might have gone down to an A. The main point was instead of having a billion dollars of financing, theoretical financing available, you had eleven billion. We asked Larry to retire. There was a myth that—

Help me understand—go ahead.

There was a myth that these capital expenditure budgets had come from the governor and were passed like the Ten Commandments onto Larry.

Come from the governor?

The governor would decide how much they could spend. I knew Susan Kennedy because she used to work for Dianne; she was Schwarzenegger’s chief of staff. I called Susan and said, “I can’t believe the governor micromanages this institution to decide what UC San Diego’s capital expenditure budget is.” She said, “Of course not.” It became clear that Larry Hershman just threw these numbers out. So we asked Larry to move on, and I basically said to these campuses, which was a sea change for those who took it, I said, “There are no more capital expenditure caps. You want to build a
building?” I had three rules about building a building. I had to get the regents out of designing buildings, because they’d hold them up forever and cost money. I said, “You want to build a building? It’s got to be structurally sound. It’s got to be financially sound. And if you want to paint it purple and orange and green, that’s the campus’s business. It’s not the regents’ business.”

This must have been when you were chairman.

Yes. Early on when I was chairman. Because I was chairman of finance before that. No, because I had to move a lot of people along. It was after I became chairman. But the point was that somebody like Marye Anne Fox took it to heart. I think she, because of that, has built 10,000 units of student and faculty housing, because the cap went away at San Diego. There are a lot of other projects that have gone ahead because of it.

Now, tell me what that means, because I confess to being very ignorant.

Okay, look. What it means is if you could only spend $50 million at Berkeley, and unless you had somebody, say like me, who’s paying for a building, or Li Ka-shing, who’s paying for a building, if you wanted to build—

The Bancroft Library.

The Bancroft Library. You want to—

We had to raise money for it.

Yes. If you didn’t raise money for it and showed them how you’d pay for it, beyond the $50 million capital expenditure cap, which applied $50 million to the whole campus, you weren’t going to get any money to do it.

I see. That’s why we had to raise money for it? Is that right? Because there isn’t—

Yes. Usually they make you raise some money anyway. For example, they were going to build this building. It was going to be for the business school and the law school, and they wanted us to take a piece of it. It was $200 million.

Wanted us? Who’s us?
Us. Blum Center. I talked to both Chris Edley and Rich Lyons about it, and they were only going to get it built if they went out and raised $200 million cash. I said, “Well, they might as well have told you not to build it. It’ll take you forever to raise that cash. People will get discouraged, won’t give you the money, and the thing won’t get done in our lifetime.” So now you have something that’s reasonable. You say, “Okay, well, we scaled it back. You only got to go raise $50 [million]. You can go borrow $150.”

And then how does that get paid back?

Well, it gets paid back because you have a stream of income from both the business school and the law school, mainly from tuitions, that is dedicated to pay back the debt. It’s like how do you pay off the mortgage on your house? Well, you have some income, and every month you write your check and pay your mortgage. Same principle.

I have just read something criticizing using tuition as collateral. Was that new to use the tuition as collateral?

I don’t know that they’re using tuition as collateral. It doesn’t make sense to me. Look, if the University of California borrows money, they have a much better bond rating than the state. So they borrow $100 million or $200 million to fix the stadium or whatever it is. It’s the full faith and credit of the University of California that’s going to convince the buyers of the bonds to buy them. So you say, “Well, why would they have faith in the University of California?” It’s because they have sources of income. They got research grants. They have this, that and the other thing.

Overhead charges.

And now a major piece of it, $2.5 billion worth, is tuition. So the idea that they’re saying that they’re pledging tuition is nonsense. In principle, tuition was part of the income stream that has paid off debt in this university for 140 years. So it’s rhetoric. It’s people who don’t understand the game.

But it is a lot more debt?

Yes, but you have to say this. You want to expand, you build a building like CITRIS. That’s going to create a lot of good, create a lot of kids that go on to do great things. And you say, “What opportunities does it provide for the university?” Maybe the best example I know is something I helped Steven
Chu get, which is the Helios building [Helios Energy Research Facility]. The Helios building, which is going to go down on the northwest side of campus, is for alternative energy research. A couple of guys down at Oakland who are no longer with us tried to kill the deal, even though Dynes liked it, and Dynes was a physicist. I spent a lot of time with Steven Chu getting that building done.

09-00:13:11
Lage: Getting it approved by the university?

09-00:13:11
Blum: Getting it approved. It isn’t up yet. What did it mean to the university? Everything in the world, because British Petroleum decided that they were going to spend $600 million on alternative energy research. They didn’t give it to Oxford, they didn’t give it to Cambridge, they didn’t give it to Harvard, they didn’t give it to Yale. They searched the world over and the money went to Lawrence Berkeley [National Laboratory]. And why did it go to Lawrence Berkeley? To a great extent—not only did they have the intellectual capability—because they were putting up this building dedicated to that. So that’s what I mean, that when you build buildings, you don’t always know how they’re going to matter. And do we occasionally build some white elephants? I’m sure we do. But I remember when the business school was essentially South Hall. You got men’s and ladies’ rooms that are bigger than South Hall, for god’s sake. Then they built Barrows. I remember when Barrows went up. That was new and modern, and now it’s old and ugly.

09-00:14:30
Lage: I think it was new, modern, and ugly.

09-00:14:32
Blum: Yes. It was always ugly. Then it got old, and then they raised the money and did finance, and you have this gorgeous campus within a campus for the business school. That’s what you got to do.

09-00:14:49
Lage: It’s progress.

09-00:14:50
Blum: Exactly. Exactly.

09-00:14:51
Lage: Now, with Larry Hershman, was your main gripe with him this issue of the amount of capital funding?

09-00:15:04
Blum: Larry had got himself in a position of enormous financial influence, because Bob Dynes and his people around him didn’t pay much attention to it. He wanted to control a lot of what went on here. Now, did Larry think he was doing what was best for the university? There was no question in my mind he did. But in the way it ought to be built and developed and managed, these
guys weren’t the right guys. A lot of what they did was dishonest in terms of letting the regents know what was really going on, because one of the guys who eventually resigned—he was one of your money managers—went and told me. The guy ran the pension fund. Told me one day, he said, “The regents don’t know what’s going on here. You have all these people at Berkeley —” It was shocking to me—“who make sure that you don’t know what’s going on.”

09-00:16:27
Lage: At Berkeley or at—?

09-00:16:28
Blum: No, not at Berkeley. Down in Oakland.

09-00:16:31
Lage: In Oakland, at the president’s office.

09-00:16:33
Blum: That woke me up to a lot of things. When I now walk into a regents’ meeting and I see Peter Taylor, chief financial officer at UCOP; I see Nathan Brostrom [executive vice president, business operations], all of us put together by [President] Mark Yudof. I see guys like Chris Edley [special advisor to the president] and Patrick Lenz [vice president, budget and capital resources], who runs the budget. And I look at what’s there today versus what was there three or four years ago, and it makes me want to cry, I’m so happy.

09-00:17:03
Lage: Let’s stop there today. But I want to delve more deeply into all this next time. Is that okay?

09-00:17:09
Blum: Yes. Okay. You never knew all this stuff, did you?
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Audio File 10

Lage: The last time we got into your regentship and your sense that the university—

Blum: Regentship, is that a real word?

Lage: I don’t know, I just thought I would use it here. [laughs]

Blum: If it was a ship, there were leaks in the boat.

Lage: Well, we can use that—

Blum: As a metaphor or something.

Lage: —metaphor throughout, I would say.

Blum: I’ll try not to. [laughs]

Lage: You mentioned that you thought things were a mess, and particularly you talked a little bit about the low caps on capital expenditures. But let’s go more in detail about your being a regent, what you saw and the changes that were effected.

Blum: Well, when I first went on the board, at the very first meeting, I walked away really wondering whether I made the right decision. I even told Gray Davis, who had appointed me to the Board of Regents, as to whether I shouldn’t trade it in and ask to be on the boxing commission.

Lage: Oh, really?

Blum: Yeah, well, I was just kidding.

Lage: But what was your impression?

Blum: It reminded me of when Dianne [Feinstein] was on the San Francisco Board of Supervisors, you had these public comment periods when everybody yelled and screamed at you, called you names. Well, okay. And then I just thought it was kind of this unwieldy bureaucracy. My impression from day one was that they weren’t focused on their mission. There was no crisp idea of what they wanted to accomplish. I learned that their ability to execute things in a timely manner was almost nonexistent.
Lage: This was the board itself you’re talking about?

Blum: No, the university. It was hard for me to read the board. I think the problem with the Board of Regents is the way it’s appointed. By the way, I think right now you have a decent Board of Regents, who are fully supportive and trust the president of the university.

Lage: That’s probably the best situation.

Blum: Yeah, from—Well, that’s because, with all due respect, I spent three years trying to make a lot of changes. I’m pleased as to where we’ve gotten to; it’s got a long ways to go. You had really a couple of scientists in a row, both Dick Atkinson, who was president for the first year I was there, and then Bob Dynes, who in the end of the day—by the way, I like both of them personally—I thought they had, certainly Bob, which I was most familiar with, had zero management skills. In fact, I’m not sure he ever really tried to manage the place. If you think about it, this is a guy who spent eighteen years at Bell Laboratories as a scientist. How does that qualify you to run a $19.5 billion institution? It doesn’t.

Lage: Well, he’d been chancellor at San Diego, let’s not forget.

Blum: Yeah, he’d been there for a couple years, but—The guy who almost steamrollered him into the job was John Moores, who was from San Diego. John was also the one that talked me into being chairman of the Board of Regents. John’s a big, forceful guy. John was the first one to say publicly that he’d made a mistake and that Dynes should resign.

Lage: Oh, really?

Blum: And he was quite—

Lage: He said that—when you say publicly, you mean in the news?

Blum: I mean publicly, in the news—there were no secrets about it—probably a year before I asked Bob to step down.

Lage: What was his concern, primarily?

Blum: Well, that he didn’t—it’s one thing to run UC San Diego. There’s some belief—I don’t know how well he did or didn’t do, because I didn’t visit it first-hand, but some people felt that he had a good vice chancellor of administration. But that’s one thing. By the way, I don’t think Bob Dynes is a
dishonest person, but he would play games with compensation. Let’s say somebody wanted $300,000 for a given job and the previous person in that position had gotten $200,000. He’d say, well, I’ll give you $200,000 and a $100,000 moving allowance, although you don’t need to move.

Lage: This is hypothetical.

Blum: I’m just throwing that as—it was that sort of thing. And I said to Bob, “Don’t do that. Disclose exactly what you’re doing, because sooner or later, somebody’s going to bite you.”

Lage: So this was along the way? Were you informed?

Blum: I was chairman of the finance [committee] for a couple years before I was chairman of the Board of Regents. I knew Bob as a regent, and also he, at that time, was married to my good friend Warren Hellman’s daughter.

Lage: Did that help him, do you think, in getting the position, that Warren Hellman was so connected with the university and the state politics?

Blum: I doubt that it had much to do with it. At the end of the day, I’m sure it didn’t hurt him. But this was really John Moores, San Diego.

Lage: They had a connection down there, related to campus matters, I think.

Blum: Well, yeah, but I don’t think John even knows Warren. Or if he does, doesn’t know him very well.

Lage: I see.

Blum: And I’ve known Warren since the fifth grade, as I’ve mentioned.

Lage: Since military school.

Blum: Yes, since that wonderful—not so—military school. So there was a lot of low-hanging fruit, because even the simplest matters, where you could save money to run Oakland, were just ignored. The people he had in place underneath him weren’t competent. But Bob himself when he took the job, he said, “I had no idea what I was getting into.” He said we had all different blocks of people within the buildings down in Oakland that basically wouldn’t even talk to each other. It was balkanized.

Lage: He himself described it that way?
Blum: He was critical of it. But then he wouldn’t put in managers to manage, and he had no real experience managing. So when I went to look for a manager, I wanted somebody from the outside—I was insistent on it—and someone with experience running something, particularly. It wasn’t easy to find someone who had run, managed a multi-campus system and could still pass the academic smell test. Mark Yudof was one of the few people in the country, because he had run the system in Minnesota. Then the one in Texas has got even more campuses than we do, although budgetwise, is about half our size.

Lage: And you were chair of the selection committee that time. Is that right?

Blum: What happened was, I think most of us were of the view that Bob was not doing a good job. A number thought that he should step down; others, I’m not sure were totally convinced. And in fact, as long as this is going down in history—[chuckles]

Lage: You can say—

Blum: When Gerry Parsky—I was chairman of finance [committee] and I was vice chairman [of the Board of Regents] for a couple years, and then chairman. And Gerry, in the two years I was vice chairman, was chairman.

Lage: Right.

Blum: When he handed me the gavel at his last meeting, he smiled at me with this grin on his face and said, “Dynes is your problem.”

Lage: Did he say this under his breath?

Blum: Well, it wasn’t over the microphone, no. I was the only one that heard it. But it was obvious. I wasn’t even sure, when I asked him to step down, if I had said I think he should step down. I’m not sure I even had the votes for it. But the Academic Senate had been increasingly unhappy with the way he was running things. There was continuous bad press about nondisclosure of compensation. The story I got from a guy by the name of Michael Brown, who was the head of the Academic Senate—which he since has denied that he ever said it, although there is one witness who was—

Lage: Brown was a faculty rep [to the Board of Regents], too.

Blum: Yeah. Who was [Wyatt R.] Rory Hume, because he told him the same thing. He said, “Look. After so many years, the Academic Senate is entitled to do a
review—” I gather it works for the chancellors, too— “of the job they’ve done, and express their views on it.”

Lage: Of the job of the president?

Blum: Yes. Well, they had done the chancellors; they had never done the president, but they said they wanted to do the president. They made it clear to me that there was no question that their review of Dynes was going to be definitely negative. So I had scheduled this—

Lage: But now Brown denies that, you say?

Blum: Yeah, yeah. He was also a problem with the selection committee because he wasn’t truthful at a number of times. But if you ask Rory Hume whether he had told him—Rory was provost, and I had asked Rory to be acting COO when I was chairman and Dynes was gone, until, I don’t know, a year and a half before I’d gotten Mark Yudof.

Lage: Before Dynes was actually officially—

Blum: Before Yudof came onboard. No, Dynes went. And he went—

Lage: But he was still president.

Blum: Well, he was president in name only. I actually wanted to fire him and have him leave. Because I think leaving somebody in that kind of a job as a lame duck, then you have people saying, well, okay, you’ve pushed him off in a corner, but he’s still got the title of president. And did you really give Rory Hume the authority he needed, so that people knew that they had to go, on a bunch of operational and personnel stuff, to Rory as opposed to Bob? For a period of a year there, I made it clear to Rory that if he felt that Dynes was going to try to get back in the decision-making process, that I would call a board meeting and have him fired.

Lage: Did anything happen along those lines?

Blum: Well, yeah, there were a couple of meetings where Bob called in everybody in the building down on Franklin Street [the Office of the President], and whatever the subject of it, was talking about it like he was still in charge. Rory was upset about it, and I let Bob know that—I can’t remember whether I did it directly or through Rory—that if he ever did it again, it was going to be his last meeting.

Lage: This must have been very awkward.
Blum: Yeah, but it wasn’t—I got so angry about the incompetence that it wasn’t really—

Lage: Wasn’t that hard for you to do.

Blum: No, I just knew it was the right thing. It frankly would’ve been easier if I didn’t like Bob, but I actually liked him as a person. So I finally asked a number—you can figure out which meeting it was; it was at a meeting in Santa Barbara. I just took aside, oh, a half a dozen or so, maybe seven or eight different regents, one-on-one, and I said, “Look. If I were to ask Bob Dynes for his—I’m not asking you to vote on anything. Would you be upset if I went and asked Bob if he was willing to resign?” That was my question to them. It was seven for seven, they said no. So I didn’t need to ask anymore. That told me all I needed to know.

Lage: Do you believe that that was a general feeling of the regents, or were there factions?

Blum: Oh, well, I just figured if I was seven for seven, I didn’t need to go any further. If he’d decided not to resign, that would’ve been an issue. So he and I went to—you can find out in the calendar what date it was. So I became chairman of the Board of Regents.

Lage: In ’06.

Blum: Yes. And you have, I think, the newspaper articles that—you know, I was sort of the fox in the henhouse. Basically I said that it was a very bureaucratic organization that needed to have a dynamic strategic vision of what it is that they wanted to do.

Lage: And you really published that, or made it public, about the time that Dynes announced his resignation, I think.

Blum: There was definitely a gap.

Lage: A gap there. [Dynes announced his resignation on August 13, 2007, and Blum issued his “We need to be strategically dynamic” letter to the Regents on August 22, 2007.]

Blum: I can’t remember how long it was, no. By the way, if he was willing to shape up and try to do the right thing and bring in a decent management team, maybe he could’ve survived. But I sat down to lunch with Bob and I said, “Look. The only person that’s going to like this lunch less than me is going to
be you. I think the storm clouds are gathering for you.” I told him about the Academic Senate’s view. And I said, “In my view, that becomes a public trial and a public execution. You certainly don’t want to go through that.” I think that he was just newly married and—

Lage: And newly divorced.

Blum: Well, he was divorced, and he’d just been married again. He loves San Diego, was down there every weekend and so forth. I said, “Maybe you ought to go back to your lab in San Diego, because you love it down there anyway.” His wife Ann was the chief counsel at UC San Diego. That’s how they met. I said, “I think you should just resign.” And he basically said okay.

Then we had this dreadful press conference for him. Because we put together a press release saying he was going to resign, it was time to move on, for personal reasons, newly wedded, whatever, and “I’m going back to San Diego.” I remember I was up at Lake Tahoe and on this conference call that he and I were only on, and he basically said—they asked him, “Were you asked to resign?” He said, “No, the only one that really wants me to go back to San Diego is my new wife.” And I go, oh, my God. There’s just too many people on the campus, particularly the whole Academic Senate and the board, that know that that’s not true. So even though this press conference was between the two of us with—I never said a word the entire press conference, because I was afraid somebody would put me in a position of having to deny it. Anyhow, it took the newspapers about ten minutes to find out that there were a whole bunch of people that, A, knew he was asked to step down and were glad that he was, et cetera, et cetera. In any event, then I asked Rory Hume to be COO [chief operating officer] and—

Lage: What about Rory Hume had impressed you enough to think he could be in charge? You were doing the restructuring at this point, too?

Blum: Well, I was starting to.

Lage: Getting it going.

Blum: Rory was the provost. The financial team had all been—I got Dynes to fire some of them—were incompetent or worse. Down in Oakland, there was sort of nobody else there. He was the highest official that we had. We, at some point, hired Katie Lapp, who—and I had brought in, even when Dynes was still around, when I first became president, a woman by the name of Betsy Horan, who works for my foundation. She had been a professional business consultant who did this kind of restructuring, and she was my ambassador to go talk to the vice chancellors and—
Lage: So before the Monitor report or anything, you had her reviewing the situation?

10-00:21:10
Blum: Yeah, yeah. She had actually been a partner in Monitor. We had several consulting firms come in and make presentations and bid on it. We chose Monitor, not because of Betsy, but—

Lage: I interrupted you about what Betsy was doing before you let —

10-00:21:39
Blum: You want to cut it off for a second? [interruption] By the way, none of this, to some circle of people, is known.

After I got Bob to announce his resignation, then as chairman of the board, I put together the search committee. And without sounding like some Latin American dictator, I also had the ability to appoint myself as chairman of the search committee.

Lage: Which isn’t usual, I don’t think. The chairman of the board doesn’t usually—

10-00:22:41
Blum: To tell you the truth, Gerry Parsky gave me some very good advice, because he had been through the search for the chancellor at UCLA. He said, “It is very important for you to control the search process.” I could appoint something like five regents. So I appointed five regents, some of them a little diverse, in terms of where they were coming from. They were all people that if I found somebody they liked, I knew that they all had the respect of the others and the guts to stand up for their decision. I was concerned about the rest of the Academic Senate committee.

Lage: Right, because they also get involved in the search.

10-00:23:42
Blum: Well, that was a problem for me—not the other members of the committee, but the guy who chaired it, Michael Brown—because we had our first meeting down at UCLA and we all had this agreement that nobody was to talk to the press. We knew factually that, within one hour after our first meeting, that Michael had gone and talked to the press.

Lage: And you knew it was Michael.

10-00:24:09
Blum: We had somebody that was on the committee—I’ve forgotten who—come back and said that Michael Brown went and talked to the press. So I appointed Sherry Lansing, who’s probably my closest associate on the Board of Regents. I brought in Russ Gould, because I thought it was important to have Russ there because even early on, you have to ask yourself, well, who’s going to be the next chairman? And I obviously had a fair amount to seeing that Russ became the next chairman, so I wanted Russ to be there. It was one of these
typical UC things. I honestly believe if I hadn’t taken over the process myself—which was I got on my plane, I would go ring doorbells. When I looked over this list of who would you try to hire, one of the ones I was most interested in was Bill Brody, who was running Johns Hopkins. I actually knew Bill; he grew up in the Bay Area, didn’t know him well. At the end of the day, he was considered a very good manager of Johns Hopkins. But he’d done it for a dozen years and didn’t want to do it anymore.

Lage: Who developed the list that you were looking at?

Blum: Well, the Academic Senate put together a list. We put together our own list. We hired a headhunter who knew this arena and put together a little list. I called Donna Shalala, because I knew Donna very well. She’d run the University of Wisconsin and Hunter College in New York, and was running the University of Miami, and had been secretary at Health and Human Services. I knew her from when I worked for [Walter] Mondale on a pro bono basis when he first became vice president, on urban strategy issues, because Donna was an assistant secretary of HUD [Department of Housing and Urban Development]. So I called Donna. I would’ve loved to have had Donna come do it. Donna said, “I will not be president of any public university.”

Lage: What was her thinking there?

Blum: Funding. She didn’t realize how right she was. I talked with people like Judith Rodin, who had gone from running the [University of] Pennsylvania to running the Rockefeller Fund. Judith would’ve been a very good candidate as well, but she had just gone to Rockefeller. She was turning it upside-down, like she turned the University of Pennsylvania upside-down.

Lage: And that’s what you wanted, was someone who would turn it upside-down?

Blum: Yeah, but she also said, “Look, I’ve just started this. I can’t walk away from it.” And Yudof wouldn’t either answer my phone calls or the calls of the headhunter. Finally I said, “How do I get to Yudof?” Because Yudof just sounds right to me.

Lage: What was the stuff that you knew about him?

Blum: He was a manager. It was a word you never heard around here, management. It’s a huge enterprise; you’ve got to manage it. I finally found the only guy who knew Yudof, and that was John Moores. I said, “Gee, I don’t know how I lead with this. John can call him.” Now, John has just resigned from the Board of Regents in disgust because you can’t get anything done. I said, “I don’t think he’s the right guy to lead with, but I don’t know what else to do.” So
John called Yudof and said, “Hey, will you take Dick’s call?” So I started talking to Mark over the phone before I ever met him. He said, “Eh—”, you know, they’d pay him anything he wanted down in Texas, substantially more than we’re paying him, and he could stay there forever. But he was getting a little bored with it.

Lage: How do you entice someone into such a difficult situation?

Blum: Well, I’ll tell you how I think I got there. I said, “Look, there are sixty-three AAU [Association of American Universities] universities in a field of 4,000 colleges and universities throughout the country. Only one system has more than one, and that’s the University of California, and we’ve got six. You’ve got a dozen schools or whatever it is that they have down there—maybe more than that, maybe as many as fifteen—in the Texas system. You’re half our size, but you only have one AAU school, which is UT Austin.” I said, “This is the biggest job in the land. You’re surrounded by brilliance—Nobel Prize winners, National Science Foundation, what have you—wherever you are.” So he was intrigued by it. He came out to Los Angeles, and Sherry and Russ Gould and I had dinner with Mark Yudof.

Lage: Just the three of you.

Blum: Yeah, in L.A. So I’m talking to him about the deal.

Lage: About?

Blum: About coming to UC.

Lage: But also about what you wanted to see happen?

Blum: Well, no, I talked to him very frankly about the problems. He’d been doing this stuff for twenty years.

Lage: He got it?

Blum: There was no doubt in my mind that he was up to the job. We started talking about compensation, and he was concerned about the retirement benefits because he didn’t have much in that way. I don’t know, I guess Mark’s about sixty-four. He said, “Look. I don’t want to be in a beauty contest.” I said, “Mark, I’ll make a deal with you. There won’t be a beauty contest, but you’ve got to agree with me with one other thing.” He says, “What’s that?” “I don’t want to be in a bidding contest with the University of Texas.” He says, “You have a deal.” So I said, “You need to come out one more time and have another private meeting with three regents. If I have those five regents,
doesn’t matter what anybody else thinks, we have the votes on the board of
the search committee.”

Lage: But there’s sixteen—oh, the search committee.

Blum: This is the search committee.

Lage: Oh, okay.

Blum: If the six of us who are regents unanimously recommend to the Board of
Regents that we should hire this guy, it’s a done deal. Because I picked six of
the most influential—

Lage: But on this search committee were also non-regents, is that right?

Blum: Yes. But this is the problem. I had to keep them out of the process because of
Michael Brown.

Lage: Oh, I see. So that’s why you didn’t involve—

Blum: No. Well, I did bring them in, but let me explain how it worked.

Lage: Okay.

Blum: The next meeting we had was with Eddie Island, who was our one African
American regent. He had the issues you’d expect. Mark had a good track
record with diversity. We had— [pause] Oh.

Lage: I have a list here.

Blum: I’ll tell you who else I had there. I had Paul Wachter. I wanted Paul there
because he’s the governor’s best friend. And I had Norm Pattiz, because Norm
Pattiz was a gutsy, stand-up guy. All three of them lived in L.A. So we had
another dinner. They got through with that and these guys—and Mark left. No,
or maybe I talked to them before. All three of them said, “Just hire him.” I
said, “Thank you.”

Lage: Right after their meeting?

Blum: Yeah. Yeah. Matter of fact, I can’t even remember whether he had already left
or we just went in the other room and they [chuckles] just said, “Hire this guy.”

Lage: So they were impressed.
Blum: Yeah. So I knew I had it done. Now, a lot of people who were left out of the process were rightfully mad at me, okay? I didn’t see how I could possibly talk to the alumni rep or the student rep and not talk to the representative of the Academic Senate.

Lage: I see.

Blum: So what I did was I scheduled—there was a board meeting coming up in, I don’t know, a couple weeks. I wanted to straighten out what the deal was with Mark, so I was working with a lot of the people. The pension plan was important to him; the salary, frankly, was less important to him. So we worked out a proposal.

Lage: With people in the UCOP.

Blum: Yeah. What’s her name? There were two people down there that were very helpful. I’m trying to remember. One of them was Judy Boyette. She’s since left and gone into the private sector. She helped. They were pretty ingenious with coming up with ways of getting him what he wanted.

Lage: It was considerably more than Dynes had received, or Atkinson.

Blum: I finally went to the governor. I said, “I want everything printed out on one piece of paper, down to a shoelace allowance. I don’t want anybody coming back to me later and saying, well, you didn’t tell us about the shoelace allowance,” or whatever it is. I called Susan Kennedy and the governor. I said, “Look. This is who I want to hire. He’s expensive, but he’s worth it.” Oh, yeah, and he was getting double what Bob Dynes was, but you know—

Lage: And you just had this tremendous negative publicity about executive compensation.

Blum: But the negative publicity was more about the lack of disclosure than the money. In fairness to Arnold—of course, mainly, I’d talked to Susan Kennedy, because Susan used to work for Dianne years before. Whether it had to do with increasing tuitions rather dramatically, as we had to do at Boalt Law School—although Chris [Christopher] Edley assured me that those that couldn’t afford it were all covered by scholarships—or with personnel, the answer was always, do what you have to do to stay competitive.

Lage: In the governor’s office.

Blum: Yeah.
Lage: And that was the same answer with Yudof?

Blum: Absolutely. So the one I was—

Lage: Was the governor concerned? They always say that the president should get along with the governor. Was the governor concerned about knowing more about Yudof or meeting him?

Blum: He was totally hands off. It was a two-minute discussion. Well, he may have known more about it, because that’s why I had Paul Wachter on the committee because—

Lage: Oh, they were good friends, yes.

Blum: —he’s the guy that manages, he’s his finance manager. A lot of the people that have been appointed to the Board of Regents have been screened for the governor in advance, by Paul. Paul’s a good guy, and he was fine with what we wanted to do.

So I also, despite Mark’s assurances, was very concerned about what Texas might do, even just unilaterally. I’m convinced, by the way, that if he said, look, I want a contract at a million and a half dollars for the next five years, they would’ve given him two million.

Lage: Because they were pretty pleased with him?

Blum: Yeah. And they don’t care. They’re Texans.

Lage: Did they have plenty of money? Are they in a much better situation?

Blum: The truth of the matter is, the amount of money that you talk about paying executives, in the scheme of things—you’ve got a $20 billion institution. If the guy’s going to run it right—I make this point, and I’ve made it with the union people. I said, “Look. Because of what we did by putting in new, by the way, high-priced personnel, including the president, the finance team—” I look at the finance team today, Nathan Brostrom and Peter Taylor and the budget guy and so forth, and I listen to their presentation, I’m almost in tears. They are so much better than the team that was there before. I said, “Look, we have taken $180 million out of operating costs. You know what that means? More of your union folks are working. Maybe less pressure than what is already very difficult, in terms of increasing fees.” Around here, to get anything done, you’ve got to be forceful, you’ve got to be blunt, and sometimes pretty undiplomatic. I have said to the chancellors, three, four years ago, “You need to bring in consultants,” finally they’re doing it, “and
make this place run better.” I said, “You do realize that your inefficiencies cause the students to pay more to go to school here.” They don’t like to hear that.

Lage: Well, but it is a tremendous—

10-00:40:48
Blum: But it’s true.

Lage: —symbol for people who are upset about fees and low wages. They really focus on things like bringing in this consulting firm, when we have—

10-00:40:58
Blum: Yeah. So I said, “Look. In order to take the $180 million of operating costs out of Oakland alone, if I could have done it by hiring somebody at ten dollars an hour, I would have. The answer is, you’re only going to get the most skilled kinds of professionals if you pay them well.” We tried not to pay any more than what we had to pay. By the way, if you look at the chancellors’ scale, if you take those sixty-three AAU schools and you look at the six of them we have, all six of our chancellors are in from fifty on down to number sixty-three [on the list, in terms of their compensation]. The new president of AAU is Henry Chang, from UC Santa Barbara. The irony about that is, on the list of sixty-three, he’s number sixty-three.

Lage: Wow.

10-00:41:59
Blum: So these chancellors are at least 40 percent below market. Several times, I told them that I would walk the plank for them, before the $900 million cut, years before that. I said, “You guys deserve more money. You want it, I’ll propose it.” Unanimously, every year, they said no. I said, “Okay. Just understand things are going to get worse.” They said, “Never mind. We don’t want an increase.”

Lage: Well, I think they know maybe the reaction on the campus—faculty, students.

10-00:42:36
Blum: Well, the reaction you have today is not what the reaction was two years ago, by a long shot. But you hire a Sue Hellmann, Susan Desmond-Hellmann, to be chancellor at UCSF, you pay her $400,000, running a $3 billion institution. Her last job was basically COO of Genentech. I don’t know what she got paid; I’m sure if you looked it up in the annual report, you could figure it out. I bet it was at least ten times what she’s getting paid now. She came from a family in Reno, Nevada. Her parents, I think, are still there. Father runs a little pharmacy, with seven kids. Grandparents came from Ireland with no money. She still rides BART from Lafayette over to UCSF every day. She came away with more money than she thought she would ever see. I don’t know exactly, but my guess is that she’s probably put most of it, or a lot of it, in a foundation
for medical research. She and her husband, who worked in a clinic in Kenya—or I guess it was Uganda—are not about money. And yet the Chronicle writes some stupid story about, how could you pay somebody that amount of money to run UCSF? How do you not? By the way, if you look at the equivalent, say at places like Mass General or Johns Hopkins, they’re all getting paid over a million dollars.

Lage: She’s running UCSF and the hospital?

Blum: When you talk about UCSF, it’s the med school, it’s the research, it’s the hospital, it’s all that. We’re breaking ground on two projects: a roughly $150, $170 million neuroscience center; and before the end of the year, we’re going to break ground on the hospital, which is a huge deal. That’s north of a billion and a half dollars. She and the team that she’s brought in have been very good at raising money. Because you need about $450 million to get the hospital going. They’re not quite there yet, but they’re well above $300 million, and they’ll get there. She’s terrific. By the way, two of the best chancellors that have been chosen, both at the same time, are both women. The other one is Linda Katehi, at UC Davis, who’s very impressive.

Lage: Chosen by Mark Yudof?

Blum: Yeah. Well, there are search committees, but at the end of the day—well, I had my size fifteens [Lage laughs] behind Sue Hellmann for UCSF. I didn’t know Linda Katehi, and I wasn’t on that search committee. But I couldn’t be more delighted with the results.

Back to the finish of the hiring of Mark Yudof saga. I scheduled a search committee meeting right after a Board of Regents meeting, and I came into the regents’ meeting on Thursday morning and said, “I just want you to know we have a search committee meeting this afternoon. And I want you to know that there’s a high likelihood that we are going to propose that a fellow by the name of Mark Yudof be hired as president of the University of California.”

Lage: Now, was this is confidence, in a confidential setting?

Blum: Yeah. Yes, this is a closed session. I said, “And if that’s the case, I just should let you know that next week I’m going to call an emergency board meeting to get it executed.” I wanted to ask the chancellor from San Diego—what’s her name?—

Lage: Let’s see, Marye Anne Fox.
—Marye Anne Fox, who had worked with Mark in Texas, to come and speak about him. Some of the regents didn’t like it, said, “Well, it’s not fair to bring her in here, because if he gets hired she’ll have to report to—”

And had you been in touch with her in the course—

Yeah. Because Marye Anne knew him. At some point, Mark told me he was going to talk to Marye Anne, and I said, “Please do.” Then I talked to Marye Anne and I said, “Should we hire him?” She said, “Absolutely.” I said, “Well, help me.” And she did. Some of the regents thought I shouldn’t bring Marye Anne in to talk to the regents. I said, “Well, I think you need to hear from Marye Anne, because we’re going to make an important decision.” So Marye Anne came in and was great.

We had the search committee meeting, which then, of course, included Michael Brown and these other regents—I mean these other search committee members. I thought I was going to have a problem with John Garamendi, the lieutenant governor, who was there.

He was on the search committee?

No, no. Well, he walked into the search committee meeting, and I can’t exactly tell the lieutenant governor, you can’t go there. He said, “I want to come to the meeting.” Okay. He said to me, “What’s it going to cost us?” I said, “Well, I’ll tell you.” I thought he was going to object to it, but he didn’t. John was fine. So we went into this [search] committee meeting, and Mark talked to them for about an hour and a half. It was a unanimous decision.

Did they give him a pretty good grilling? Did they cover the waterfront of issues? Or what was the main concern?

Well, it was a lot of back and forth. I don’t really remember the details. They could ask him whatever they wanted, for an hour and a half. And he knocked it out of the park. The minute that was over, you know, the story was already starting to leak out, so I scheduled the board meeting—this was on a Thursday—for the, it was either the next Tuesday or Wednesday, I can’t remember. So from the time Mark Yudof said yes—and by this time, we had a contract that he was prepared to sign—from the time he said yes to the time the contract was signed was eight days. This is in an institution that it takes six months to hire a vice chancellor.

Right. And how did the regents’ vote go?
It was unanimous. It was one of these meetings where you had a half a dozen people in the room and you had everybody else on the phone. It was unanimous. They had heard about it in the meeting the week before. It was very funny, because the story that was written in the Sacramento Bee—I, in introducing Mark, said, “This is my proudest day as a regent. I’m happy to inform you that I think we have a spectacular new president. His name’s Mark Yudof. And here’s why.” By the way, it was the first time we’d hired a president from outside the system—this goes down in your history—since 1899. I forget who wrote the column, but he said that I had reminded him of an Italian operetta, where the father, who had just married off his ugliest daughter, was singing some aria. Which I thought was kind of amusing.

Lage: [laughs] Yes.

It wasn’t quite like that, but at any rate. So the problem with the restructuring is, first of all, this is a huge, unbelievably complex place.

Lage: And it goes back before Yudof, so let’s go back—

Oh, yeah. No, it goes back from—I was talking about this stuff before I was chairman of the Board of Regents. It goes back to probably—I started to turn up the dial when I became chairman of the finance committee. So you’re talking at least five years back. We’ve taken a number of people—. You had all these silos—which is what you see in bureaucracies—who don’t even know about each other, oftentimes doing the same damn thing. So with the help of Monitor and Betsy working full-time, and then with Mark—you can be the chairman of the board and have a vision of what you want to do, of an organization; but if you don’t have a CEO who’s going to execute for you, you’re just going to get there. Mark and I have never not seen eye to eye on just about everything.

By the way, I also felt it’s very important for the chairman of the board and the president to appear to be together. In the case of Mark, it’s easy. Because of the history of this place—and you’ve probably read all the books—more often than not, they haven’t gotten along. The problem with the regents is that—I think I may have said this previously—they have to make important decisions, and some of them have been very good and some of them have not been good. One of the things I feel very strongly about is regents being informed. I would say after two years as finance chairman, three years as chairman of the Board of Regents, and now we’re entering the fourth year of my Center for Developing Economies, where you see this place from a totally different point of view. Because I’m in there with faculty, trying to understand city hall, the interrelationship between competing factions around here, and those that get along and those that don’t. I guess it’s Kissinger’s famous line
about the reasons that university academic disputes are so bitter is because they’re over so little.

Lage: [Both laugh] Right. Yes, that’s a famous one. I don’t want to interrupt. Go ahead, finish your—

10-00:55:17
Blum: So at any rate, we took the number of people down from 2,000 to 1,400.

Lage: At UCOP.

10-00:55:25
Blum: Yeah. I think they can drop in half again. We tried to get the chancellors to do the same thing, bring in consultants. And by the way, if you don’t like our consultants, bring in whoever you want; we’re here to help. I underline the word help. They didn’t do anything. Unfortunately, I have this long list of I-told-you-so’s. The problem with what’s been done over the last year is the size of the cut was—I think people knew it could happen; nobody thought it was going to be like that.

Lage: Of the budget cut.

10-00:56:02
Blum: Yeah, of the $900 million [from the state budget]. It’s really not quite that much, because we get some back in the stimulus package. The problem was that, in many ways, it was a meat-ax approach to cutting, with the furloughs and a lot of the stupidity of the way things were done—which almost had to happen, because you can’t downsize a place like this, with that size, sensibly, over some short period of time. If they had done all these studies before and had already started restructuring, they could’ve finished it more sensibly. Because you can’t just take 8 percent out of everything. For example, maybe we ought to be spending more money in Bancroft Library, and maybe something across the street, we ought to close it down.

Lage: But you could imagine the politics there. [chuckles]

10-00:56:23
Blum: Well, the problem is, this is why you need outside consultants, because you won’t get—my real question, with this Bain study [at UC Berkeley], is to whether or not—it’s easy to say, look, you’ve got to buy your paperclips at Cost Plus because we get a discount on them down there. If you don’t want to buy your paperclips down there, then you pay for them yourself. Okay, that’s the easy stuff. The fact that you’ve got God knows how many HR [human resources] departments around here is silly. The building I’m building over here, the architects kept coming back to me—Art Gensler [the architect of the Blum Center building on Berkeley campus] is as good as they get. I was happy with what they wanted to do from day one. Thirty days later, they’re coming back. I said, “Well, what are you coming back for? I approved it.”
“Well, another committee—” They had thirty-four different committee meetings.

The best meeting, in fairness, came from the City of Berkeley, it didn’t come from the university. This was in about February. They said, “Well, we’ve heard from the bird nesting committee.” No, the bat nesting committee. I said, “Bat nesting committee? What the heck is that?” “Well, the bats are nesting between January 1st and March 31st. There’s bats up in the eaves of that whole building. We’d like you to not do anything during that period.” Well, as it turns out, we weren’t going to do anything till April or May anyway, so I said, “Look, I want a letter from them requesting this.” I said to Shankar Sastry, “Shankar, get the letter. I want it blown up two feet by three feet. And I want to put it at the entrance, when you walk into the entrance of the building, with a little sign above it that says, ‘Welcome to Berkeley.’”

Lage: That’s great. I’m going to stop this and put in a new tape.

Audio File 11

Can you turn it off for a second?

Sure.

I want to tell you something. [interruption]

Okay, we’re back on, tape eleven, and we’re still in session seven.

Okay.

Okay. I wanted you to go back and reflect about the proper role of the regents and how it’s changed since you’ve been on the board. One thing that amuses me is that—I think I read this is something Ward Connerly wrote—that John Moores referred to the regents as furniture. So from furniture, to other people now say that it’s the most activist board in recent history of the university. And you’re a key figure in that change.

Well, I guess I’m the ultimate activist. [laughs]

Yes. How do you see what is the proper role of the Board of Regents? How does it compare with corporate boards? All of this. Give me your thoughts.

It’s different. If you think about it, I have no idea who the next regent is that’s going to be appointed to the board. It’s the governor’s decision.
Lage: Does the governor ever come to the board or people on the board? Well, you said he—

11-00:01:15
Blum: Governors never come. He’s never come since I’ve been on the board. I’ve been on the board since ’02, I guess, I don’t know. At any rate, he’s never come to a meeting. I think he thinks it’s an independent body, it’s pretty well run. He worries about—

[Interruption]

Lage: I was asking you what is the proper role of the regents? And how did it evolve from something described as furniture to a very activist board?

11-00:01:54
Blum: Well, first you’ve got to understand that John Moores may be from San Diego, but he’s really a Texan. So it was Texas sarcasm, really.

Lage: I see. But some regents seemed to agree with him.

11-00:02:08
Blum: I don’t totally disagree with what he said, because it’s a huge, complex place. People get appointed to it. They show up for a day and a half every two months. Unless you spend a lot of time with it, you don’t get it.

Lage: And they don’t always get appointed because they’re so interested in education, it seems. Or do they? What is your thought about how they—

11-00:02:34
Blum: If you look at the money, it probably has more to do with whether somebody contributed money to a governor’s campaign. And by the way, it’s not just true in California. Mark Yudof sent me an article a couple weeks ago about who gave what to be on the board of UT. It’s the way it’s done. I would say that it’s probably, you know, most of the people that Schwarzenegger’s appointed have been Republicans. Not all. I’m sure that whoever the governor is, he’s probably putting friends on that have helped him, that he can trust. That’s how ambassadors get appointed. It’s not really—

Lage: That’s true. But here we have this public university, and kind of the elite financial corporate America running it. Is there a conflict there?

11-00:03:40
Blum: Well, no, I don’t think so. By the way, I think it has been that way in the past. If you look back at, say the Reagan Board of Regents. Yes, it was sort of Reagan big-money Republicans, by and large. I think Arnold’s been much more—first of all, I think he’s a pretty centrist guy. But you take a guy like Eddie Island. African American, retired lawyer, Democrat all his life.

Lage: Was he appointed by Gray Davis or Schwarzenegger?
Blum: No, by Schwarzenegger. I think he was a friend of Paul Wachter’s; that’s probably how it happened. He’s been okay. Actually, I think most of his appointments have been pretty good.

Lage: Do they have the kind of ethos of the public university in their hearts?

Blum: Not necessarily. Some do, some don’t. It doesn’t necessarily need to be that way, if you’ve got guys that are sort of smart, perceptive guys, people that come from whatever background, including education. Obviously, with all the time I spend in Washington with my wife doing what she’s done, I could’ve been on a lot of these things. The truth of the matter is, the only one I ever wanted to be on was the Board of Regents. And that was because I went to school here and I care about the place.

You compare it to a place like Stanford. The trustees of Stanford decide who the rest of the other trustees are going to be. They decide who they’re going to put on their board. So you get a guy, let’s say like Bob Bass, who’s given the university a lot of money, who spends a lot of time, even though he’s from Fort Worth, down there, and you say, hey, we’d like Bob Bass on our board. So they put him on. It’s much more of a committed board. This is true with all the private universities who have done something that makes them think that they will be an asset to the university.

Lage: Or maybe that they’ll give money to the university, do you think?

Blum: That’s certainly part of it. I have no idea what the average contribution is at Stanford, to the university, but I’m really not aware of many regents that are significant contributors to UC. It’s part of it being a public system. For years, the reason why you don’t have the amount of alumni giving that you should have is because—if somebody had asked me thirty years ago, are you giving any money to the university? I’d say, look, I pay my state taxes. Over the years, people understand that that doesn’t work.

You look at a UC San Diego and you say, what percentage of their alumni give to UC San Diego? It’s really a low number. It’s like 10 percent. You ask the same question about Princeton, it’s 80 percent. So that’s part of your problem. Now, a place like Berkeley, which has been around a long time, it’s probably—

Lage: It’s probably not a huge percent.

Blum: No, it’s better than San Diego, but it’s probably in the twenties or maybe in the thirties. It’s certainly not like the major private institutions. We have a million, four hundred thousand alumni; we know where they are. I think it’s
our job to change it. For several years, I said I would match any amount of money given, up to $100,000, for people graduating from Berkeley. So the guy that gives you ten dollars going out the door, maybe thirty years later will give you $10 million. That’s what it’s all about. And it worked, because I was told that the School of Engineering, the day I put that proposal—by the way, I limited it to $100,000 because you might run into some rich kid that says, okay, I’ll give you $3 million or something like that. [laughter] I heard from the business school and the engineering school and some others, but I remember the engineering school; the contributions went up 53 percent, versus the year before. Not a lot of money, but then you’re on the mailing list and people stay involved. And if you have a winning football team or basketball team, more people stay involved. [laughs]

Lage: Yes. Let’s go back to the regents and how active should a regent be, and how did things change over the course of your service on the board?

11-00:09:10 Blum: Well, I’m not sure it’s changed all that much. We had some regents that were on the board before that were very active. Some of them, I think, got lost in the leaves. You had a certain amount of micromanaging going on.

Lage: On smaller issues, do you mean?

11-00:09:41 Blum: Yes. Well, building and grounds. Regents cost the university a lot of money, because you had self-styled architects and urban designers on that damn committee. I know that the outside of one building got changed from whatever the texture was to something else, after a six-month battle, because of one regent.

Lage: So part of the slowness in getting buildings going is due to the regents. [laughs]

11-00:10:14 Blum: Well, it isn’t anymore, because the person who I wanted to continue to be chairman of the grounds and building committee—she’s now just left—Joanne Kozberg. I said, “Joanne, you can continue on two conditions. The only thing you should look at is whether a building is feasible financially, and you’re convinced that it’s not going to fall down in an earthquake. Other than that, if UC Davis wants to paint the Mondavi Center purple”—which I think there is some purple in it—“yellow and green, it’s their business, not ours.” So a lot of that stuff’s been moving much faster.

Lage: She was chairman of the buildings and grounds committee of the regents?
Yes. She was okay. I don’t want to go into any names, but there were people who are no longer on the board, who made the folks that are trying to put this stuff up together nuts.

Well, that’s a long tradition. There are many stories about a regent from the fifties, sixties. Anything was okay, as long as it had a tile roof.

Oh, okay, I see that. [laughter] Yes, well, at any rate, on the other hand—

So that kind of micromanaging.

There was a little of it. But then there was a lot of other ones who just were like—that’s John Moores’ furniture statement, not mine—who basically only, at a very superficial level, understood what the issues were and went along with them. Fortunately, I don’t worry about it too much with Mark Yudof there. Mark knows how to work with a board. He doesn’t make un-sensible recommendations. Where everything else is a bit ugly and chaotic, in terms of relationships around here, the relationship between the regents and this president are probably, from what I can tell of the history, about as good as it gets.

Do you think that’s because he has a better way of, shall we call it managing the regents, or involving the regents? How would you describe it?

Because people see how he’s managing the university and they like what he’s doing.

Do they have a more hands-off attitude, then, do you think?

Yes. Because see, the rap on this job and why it was hard to get people interested in it is that the regents were intrusive, were micromanagers or what have you, whatever you want to call them, in some cases. The other problem was the legislature. I said, “Mark, neither was true. The only reason the regents have been all over the last two presidents—” and I don’t know anything beyond that, but it’s historically been—“is because they didn’t trust their ability to manage the process properly. You come in here, you get their confidence, they think you’re managing it properly, you’re not going to have any problems with them.” He has had virtually no problems with his board. I said, “As far as Sacramento’s concerned, we have the authority to do what we want.” The only issue up there—although you get increasingly, the Leland Yees, who want to propose this, that and the other thing—is really about how much money you’re going to get from them.

Of course, that’s a pretty important issue.
They occasionally, because of a guy like Leland Yee, try to interfere with running the university. They’ve got to pass legislation that may or may not, frankly, be legal, because our forefathers, back in 1868, made this a separate entity. And yes, they have the power to do certain things, but the main thing they have is the power of the pocketbook.

I’m guessing from what you say—now, you tell me if I’m wrong—that you took a very active role, really extraordinarily active.

I had to.

Did you do that because you felt it was crisis, and then you stepped back?

Oh, it was a total crisis. The place was badly managed, the morale was terrible. One of the other things I tried very hard to do is a lot of the superstars that were trying to, in many cases, get buildings or grants or what have you, to make sure that I took a particular individual interest in what they did, and helped them fight the bureaucracy. So you have people like Steven Chu, to get his Helios Building. Steven had me on autodial. [Lage chuckles] It was sort of World War III with a couple of people, and one of that got fired over the fact that he was trying to stop the Helios Building. I think I said this before, Steven told me if we hadn’t gotten the Helios Building approved, we wouldn’t have gotten the $600 million British Petroleum grant for alternative energy research. The same thing with the neuroscience building, with Stan Prusiner, another Nobel Prize winner.

At UCSF.

Yes. UCSF. You argue, is UCLA better, UCSF better? Is the Anderson Clinic in Houston [better]? Or so forth and so on. It’s the wrong way to look at them. What you really need to do is look at all the specialties. They’re all rated. So you’ve got a dozen different specialties that are rated. At the very top of those that UCSF is good at, number one in the country, is neuroscience. So you’ve got a guy who won a Nobel Prize for discovering a protein called prion, who’s been wanting this building for ten years, and who brings in $6, $7 million a year in research money. You’d better damn well try and get him what he wants, because you don’t want him to do it anyplace else. But more importantly, you want him to do it, because this research really matters.

So how did you become aware of his needs?

You start hearing stories. Somebody understands that you’re a regent or you’re this, that or the other thing, and you find out about it. My guess is there’s a whole bunch of other projects that I wish I did know—well, maybe
I’d rather not know about them [chuckles]—that probably need help. A lot of it is just saying, Goddamn it, I’ll get it, from UC Irvine, straight up to the president of the university, and the regents, if necessary, to deal with your problem.

Lage: So there are many areas where a regent can work or make a difference.

11-00:18:16

Blum: Yes, but see, I don’t know what a lot of them do. I do know some who are chairmen of the committees. I think the chairmen of most committees are pretty good at what they do. But a lot of them—look, I was fortunate. I’m at a time in my life and of means where I could say pretty much, the hell with everything else; let me take what I’ve learned and just get into this stuff and try and make a difference. As one high official, to be nameless, in Sacramento said—I said, “Look, I’m not getting paid anything for this. In fact, I have committed tens of millions of dollars to this university. I’m going to do what I think is right. And nobody is going to deter me from what I think is right.” He says, “You know, a guy like you could be dangerous.” [laughter]

Lage: You don’t want to name names?

11-00:19:32

Blum: It was Don Perata.

Lage: Oh, wow. That’s good. Well, let’s stop there today. There’s lots more to cover.
Richard C. Blum and the Dalai Lama
Richard C. Blum, President Bill Clinton, Chancellor Robert Birgeneau

The Dalai Lama, Richard C. Blum
Senator Dianne Feinstein, President Jimmy Carter
Norbu Tenzing Norgay, Richard Blum, Jamling Tenzing Norgay in front of memorial to Tenzing Norgay at the base of Mt. Everest

Visiting an education project of The American Himalayan Foundation
Lage: I want to follow up on a couple of points where, as I reviewed the transcript, things seemed to be missing. You had a sense, or you were even told, that the president’s office was withholding information from the regents. This is during the Dynes presidency. Is there more to be said about that? Did you know, for instance, about the compensation arrangements?

12-00:00:58
Blum: Yes. Bob Dynes never withheld any of that information from me. To say that he withheld it from public sessions of the Board of Regents is probably accurate. But I knew where he was making special arrangements with people. Let me say this about it. There was nothing in it for Bob Dynes. What he was trying to do was be competitive. But he would make one-off agreements with people, which I told him right at the beginning not to do. For example, let’s say somebody who had the job before was making $200,000 a year, and Bob wanted to hire someone but he had to pay him $300,000 a year. What he would do is say, well, look. I’ll give you $200,000, I’ll give you $220,000, and I’ll give you a $100,000 moving allowance. I’m just simplifying it. And he didn’t have to move. So he was finding ways to create income without leveling about it with the board. At some point, the board—less about the board than it was about the press [which] got onto it, therefore Sacramento got onto it.

Lage: And the board probably feels defensive when that happens.

12-00:02:27
Blum: Well, then the board wanted to know about it. I think Bob generally was just seen as almost not a bad manager, as a non-manager. That he wasn’t quite leveling with people about what was really going on. I never had a private conversation with Bob when I said, what is the compensation for—I think there were a couple of cases where I’m not sure I got all the facts. But it was just poor judgment on his part, and trying to keep out of the press, trying to keep people from objecting to what he wanted to do.

Lage: Because you agreed that the compensation should be at an adequate level, from what you have said.

12-00:03:16
Blum: I believed he had to be competitive. I think everybody believed that. It was just the way he went about it, which really hurt him because people thought he wasn’t being honest. I’d say he was pretty honest with me. And again, there was nothing in it for him personally.

Lage: Oh, yes.
Then there was also the question about transparency on the budget. I was reviewing the interview I did with Larry Hershman. He indicated that these negotiations they did with the governor’s office, the initial negotiations to put together a budget, had to be kept confidential; and that they would keep certain regents privately informed, but they couldn’t—sort of the way you talked about negotiating with Yudof.

Well, first of all, I think Larry Hershman was almost a bigger problem than Bob Dynes, because Bob really didn’t pay attention to the financial stuff; Larry basically controlled a lot of it. A lot of what he claimed was a dictum dictated by the governor’s office really wasn’t, in terms of particularly capital expenditures for different—

But I’m thinking about putting together the budget for the year.

First of all, that’s nonsense, because you can always go into a closed session, in which you and the budget person—Larry not only should [have told], but should’ve been required to tell all the regents what was going on. The idea that somehow he can only tell the chairman of finance or the chairman of the board is just nonsense. He played his cards very close to his vest. Frankly, it was a method for him to control what was going on. I think in the long run, he did the university a huge disservice, maybe more than Bob Dynes.

Was this one of the things that really grated with you and the rest of the regents, do you think?

Absolutely. I was very much in favor of Larry retiring. I can tell you the financial team there together today, with Peter Taylor and Nathan Brostrom and so forth—and another guy that was asked to leave was Joe Mullinix—is a thousand percent better than it was then. Larry basically told us that the debt capacity of the university was only a billion dollars. I looked at the balance sheet and the income statement; I didn’t believe it. I brought Lehman Brothers in here to look at it, and they said the debt capacity of the university was $11 billion, if you want to go to an A rating. I had a meeting and I brought Jim Johnson, who years ago had run Fannie Mae, who was Mondale’s deputy, who had been a director of Goldman Sachs, to have a meeting with these guys from Lehman Brothers and Larry Hershman. I called Bob the day before and I said, “Well, Larry, make sure that Bob Dynes is there.” Larry had not invited Bob to be at the meeting. I said, “Bob, you need to come to the meeting.” Which Bob did.
I said, “This arbitrary debt capacity, capital expenditures for these campuses,” which we were told came out of the governor’s office, wasn’t true. The capital expenditures for Berkeley were $15 million. You can’t repair the toilets for that. I called Susan Kennedy, the governor’s chief of staff, who’s an old friend, and I said, “I can’t believe you’re trying to micromanage these campuses.” She said, “We’re not. You ought to do what you have to do.”

We came to a regents’ meeting, I said, “Forget all the debt caps. They don’t matter anymore. Each campus should come to us. If you want to build a building, I only care about two things. One, is it going to fall down? And two, is it financially sound?” I also said that the building and grounds committee [of the regents] ought to get out of redesigning, playing architects for these buildings. If Davis wants to build a building that’s purple, green, and yellow, that’s their decision, not ours. Because that was holding up the process, costing us money. To give you an example, the one that probably made the most use of eliminating the debt caps was San Diego. Marye Anne Fox went and built 6,000 or 10,000 units of student and faculty housing that under the old debt caps could never have been built.

Lage: Now, does each one have to be looked at—

12-00:08:46 Blum: Yes.

Lage: —to see if it’s financially sound?

12-00:08:48 Blum: Well, they have to be looked at. They’ve got to be financially sound.

Lage: What does that mean?

12-00:08:51 Blum: You’ve got to understand how you’re going to pay for the building; if there’s debt on it, how you’re going to amortize it; how you’re going to keep the lights on and all that sort of stuff. It’s like your home. If you’ve got a home and you’ve got a mortgage on it or you’ve got expenses, if you’re sensible, you’re only going to own it if you can afford to keep it. It’s the same thing with these buildings.

Lage: But would each building need to—like the student housing, you would expect would be paid back by student residential fees.

12-00:09:19 Blum: Yes. Most of the housing stuff actually breaks even or is a profit center.

Lage: How does a building like a library get paid back?
Blum: My guess is, whatever income you have is—the nice thing is the library’s been here a long time, before maybe they thought about all this stuff. Probably something like a library, you say, okay, that’s a building that you’ve just got to have in a campus. It’s not going to pay for itself, but you’ve got to have it anyway.

Lage: But many of them, like research buildings, might be—

Blum: Yes. The neuroscience building, which I’ve spent a lot of time on UCSF, is going to pay for itself. The hospital—this is all at Mission Bay—that they’ll break ground on will pay for itself. Some of it may be dedicated funds from the university, to take care of these things. So not every building can pay for itself, okay?

Lage: That would skew the kinds of buildings you had, I would think.

Blum: Well, it probably does. If you wanted to build a $50 million building for poetry, you’d probably have trouble funding it.

Lage: It makes me wonder, as we talk and I’ve talked with other people—I don’t know if privatizing’s the right word, but this idea of profit centers and paying back. What happens to the humanities and the social sciences?

Blum: Well, you hit the nail on the head. The biggest problem, and who was hurt most by the budget cut is exactly the people you’re talking about, the humanities and so forth. Use my example. How many people are going to put a lot of money into a poetry building? I’m talking at lunch to Rich Lyons, who wants to do more work and add space to the business school. He’ll raise the money one way or the other. You look out at Chris Edley’s office, there’s a $90 million structure going up for the law school.

Lage: And probably some of this increased tuition for professional school students is helping with that.

Blum: Yes, yes. My Blum Center for Developing Economies is getting built because I’m paying for it. So that’s it. Now, you may be somebody who cares a lot about poetry, or some wealthy composer leaves them money for this mythical thing. So it absolutely hurts the humanities. I think it’s a major concern. This is increasingly a research-professional university, but you need all that other stuff. So how do you fund it?

Lage: That’s right. We’ll leave that as a question.
Including your library. How do you keep it going the way you’d like it to go.

Yes. The word privatizing came up, and we hear that an awful lot, people concerned about privatizing the university.

People say that we’re privatizing the university because we raised the fees. My answer to that is the state is privatizing the university because they have disinvested in the system for a good twenty-five years. To give you some example—maybe I used this when we talked before—our percentage of the state budget has dropped by half in the last twenty years. We’re getting $2.5 billion this year. That’s not constant dollars, so you can take 30 percent off of that, okay? At the same time, they’ve gone from $4 to $11 billion for prisons. You have to say, where are we going? So we’re raising fees, we’re looking more like a private university; but we’re a bargain, at $11,000. People may not like it. I had lunch two days ago with Father Privett, who is the president of USF, which is a Jesuit university. Their fees—obviously, it’s a nice university; it sure as heck ain’t Berkeley—are $34,000. Stanford, all in, including room and board, is $56,000.

Of course, you have to throw room and board into the Berkeley figure, too.

Well, yes. Of course. But USF is not room and board; it’s $34,000 in tuition. They don’t know how they’re going to continue to run USF in the same manner they have, even at $34,000. Everybody is searching around and saying, look, we’ve taught school the same way we have for hundreds of years. We can’t do it anymore. So is it distance learning? How are you going to bring some economies into what we’re doing? Without ruining the intimacy of being able to meet with your professors, with your faculty, with your other students? I guess you could be off in some little place in Afghanistan, working on an MBA or some kind of degree, distance learning. We’ve actually funded kids like that, that got an advanced degree in forestry, the Sherpa kids that were in the middle of the mountains, through distance learning. I don’t know how well it works, if you do it right, say versus being in class every day.

But these seem to be some of the things that are being thought about in addition to—we’ve focused so far on management changes.

No, no, no, they’re absolutely being considered. I’ve been in on a number of the discussions about them. My guess is we will start some experimental stuff sometime soon. But when you’re looking at a system that’s got 225,000 students that teaches school the old-fashioned way, you have to say, to what extent, in some reasonable time period, is it going to make any kind of financial impact on the university? And my guess is it’s a long slog. To just say, okay, we’re now going to teach our courses online and you can get a
degree. You can look at the business school, which now runs a night-weekend program for MBAs, and it’s a profit center. Even that’s all done live; it’s not done with technology. But it probably should be.

Lage: Well, it seemed to me that in the old administration—

12-00:16:53
Blum: And by the way, if somebody looks at this video a hundred years from now, they’re going to probably laugh at it and say, what do you mean? They all thought that everything had to be done in a classroom with everybody there? That’s crazy.

Lage: Right, that’s probably true. Who knows what they’ll say. It seems to me that some of the criticism of the old administration, we’ll call it—not just Dynes but the whole way of doing business—was that we didn’t work hard enough to sell the university to the people of the state.

12-00:17:22
Blum: Sell it to whom?

Lage: To insist on a better budget from the state.

12-00:17:27
Blum: I agree. I totally agree with that.

Lage: But has it worked [under the new administration]?

12-00:17:31
Blum: Well, it’s better than it was. A lot of us, for a long time, went up there in closed-door, friendly, objective conversations with the governor or the key legislators. Frankly, the good news about Schwarzenegger is he really left us alone to do our own thing, be competitive, salaries and so forth. Until recently, he has never made higher ed a priority. To a great extent, the thing that triggered it was not us going up there and saying, gosh, oh, please; it was the outrage on the campuses when we had to raise the tuitions. Finally, they got scared. I told the powers that be up there—let me leave it at that—I said, “You said you’re going to get us another $450 million this year. We’re going to be a priority. If you don’t do what you promised, and the campuses erupt again, you brought it on yourself.” I think he will definitely make it a priority; I don’t think he’ll get his $450 million. If he gets half of that, I’d be happy.

Lage: Yeah. There’s only so far you can go with the protests and—

12-00:19:02
Blum: Well, the problem is I don’t believe that their budget assumptions in Sacramento for this year—I think they’re optimistic, but they’re not credible. For instance, they expect $6.9 billion from the federal government. My wife and her office talk to the governor’s office and those people all the time. The
first time they heard about the request for $6.9 billion from the federal government was the day Schwarzenegger made the press release.

Lage: So it was more a public announcement.

12-00:19:45
Blum: Well, there wasn’t any real homework or lobbying done before he threw that number out there.

Lage: Okay. Were you concerned—some of the demonstrations on campuses were pretty forceful, shall we say.

12-00:20:02
Blum: Yes, I was very concerned.

Lage: Was that a concern?

12-00:20:04
Blum: Yes, because my view was then, and still is now, if that continues, sooner or later somebody’s going to get hurt.

Lage: And they seemed very directed, not just at Sacramento, but also at Yudof and at the chancellor.

12-00:20:20
Blum: Well, a lot of it was goaded on by the unions, particularly AFSCME. I’ve said continuously to the AFSCME people, why are you yelling at people like Mark and myself? You guys have huge clout in Sacramento. What is it about the $900 million budget cut you don’t understand? Why aren’t you talking to the legislators that you back in Sacramento? Well, we’re, I think, a less amorphous, easier target. But it doesn’t make any sense that they’d be spending more time yelling at us than yelling at them.

Lage: From what I understand, the legislators just come to the university and demand better salaries, but give no more money. [laughs]

12-00:21:08
Blum: Well, better salaries for who?

Lage: For the union members.

12-00:21:14
Blum: Oh, yes, well—

Lage: But not necessarily put it in the budget.

12-00:21:18
Blum: Yes. It’s disingenuous, to be mild.

Lage: You sound discouraged about Sacramento.
Blum: Yes. My wife was urged to run for governor. She decided not to do it because with the rules that you have up there. You have a bunch of Republican senators that will never vote for an increase in revenues or fees of any kind. On the other hand, you have so many of these legislators that are totally beholden to the unions. And then you’ve got Prop. 13, which requires that you have two-thirds of the legislature to vote for a budget—which we’re only one of three states that requires that, and the others are two small states—which makes it very, very difficult for you to get anything done. You say, well, why didn’t you have an oil extraction tax, just the same as you have in Texas? You need to put it on the ballot. What will happen is, if you put it on the ballot and say, hey, look, this is going to bring another $2, $3 billion, you should vote for it, the oil companies will go spend $100 million trying to defeat it, saying you’ll pay for it at the pump. So these are some of the problems you have.

Lage: Yeah. Well, we’re into politics now. Which you understand. I looked over again your strategically dynamic letter.

Blum: Okay.

Lage: Very interesting. It seemed to capture a lot of complaints that you hear on the campuses.

Blum: They haven’t gone away yet.

Lage: You mentioned at one time, sort of a kitchen cabinet. How did this work?

Blum: Okay. The kitchen cabinet was a group that I met with maybe three or four times. It was the period in between the time we had asked Dynes to resign and we found Mark Yudof. I said, “I really need some people that have a history of what this university was like, who I respect, to help me along here.” The first one that came to mind, because I’ve known him for years and he was chancellor here, and I thought he was a good chancellor, was Mike Heyman. I asked Chris Edley, who had never been a chancellor, but I’ve known Chris, and he gets this place and he’s good at—

Lage: Even though he’s relatively new here?

Blum: Yes, but he’s savvy. He understands politics. He was in the Clinton administration and so forth. I had Chuck Young, from UCLA.

Lage: Who’s always had his thoughts about UCOP.
Yes, and actually wouldn’t have minded even having a job as president on an interim basis, which is one of the things that came out. And then there was the guy who was dean of the school of engineering and chancellor at Santa Cruz. His name escapes me at the moment. A very good guy.

Karl Pister?

Karl Pister is exactly who it was. We got together for dinner two or three times. They were of pretty much the unanimous belief that there were so many problems here, and the perception was that whoever took the job would not be able to get along with the regents, which I said really wasn’t true. I think it was really about the situation we had. If you brought somebody in here that was respected, that that would go away. And it’s totally gone away. You’ve never had a better working relationship with the Board of Regents than you do with Mark Yudof.

And that we had problems with the legislature. The only problem you have with the legislature is they don’t give you enough money. Then they were worried about the press. I said, “Look, all you’ve got to do is be honest with the press.” As you can see from that strategic dynamic thing, I actually asked the members of the press to help me with things they heard about the university. I said, “Not only will I tell you what I think openly, I’m interested in what you learn. Because you’ll learn things that I won’t know about.”

From what you’ve just said, it sounded like you were educating your kitchen cabinet more than they were educating you.

No, no, no, no, no, no, no, not at all. Because one thing that matters in a lot of places, and particularly here, and one of the things I worry about, the Board of Regents, I worry about however much you learn about this place and the history of it—I don’t know how many of them want to go back and read Clark Kerr’s books. It’s really important to understand that stuff. I worry about the education of the regents. If this is Stanford and you decide Joe Blow is giving you a lot of money or has an interest in the university, the trustees just put you on the board. Here, the governor appoints somebody. You have no idea who he’s going to appoint. This is a huge, complex, very hard place to understand. If you look back at the history of the Board of Regents, they made a lot of important decisions. Some very good and some terrible. I worry about the education of the regents. I’ve learned a lot, obviously, in the three years I was chairman of the board. I learned a lot in a way that the other regents won’t, simply because I’ve spent a lot of time on this campus with my center. I’ve also been, on and off, involved with the business school, I hate to tell you, for half a century. But I learn new things every day.

You mentioned that this is such a complicated place—
It is.

— to understand. Would you want to characterize the politics and the culture of the university, as distinct from some other institution?

It’s totally distinct from probably anything else I’ve ever seen.

All the businesses you’ve been involved with.

Although my guess is that the other universities, good ones, are very much the same. So as opposed to the world I live in, where you better pay people competitively or you lose them; here, being paid fairly is an issue. At the end of the day, the ability to surround yourselves with faculty who you can work with, decent facilities that you can teach in or do research in, and having good students—the ability to pursue whatever it is that is your specialty matters more. So when I compare some of the people, the brilliance of the people on the faculty, versus some of these kids that I have that are twenty-seven years old, got an MBA from someplace, they get paid more than they do, it makes me a little crazy. It’s not fair. On the other hand, the guys that wind up in the investment business are there because they want to make a lot of money; people here are there for other reasons. I find the politics to be, to put it mildly, Machiavellian. I think it was Kissinger who once said, “The reason academic politics are so venal is because they’re over so little.”

But they’re not always over so little. Right now it’s over what’s the future of the university.

No, no, no. It’s more the personality, backstabbing; that’s human nature, you see it anywhere. I have seen, on some of the projects—I’ve seen it here, I’ve seen it in spades at UCSF—why a certain project doesn’t get done, not because it shouldn’t; it’s because somebody wants to get it done and the other guy doesn’t like him. That can happen anywhere. There’s a very unusual thing of the way these universities run. I have never seen an organization where the chief financial officer doesn’t report to the CEO. It took me years to understand that the chief financial officer reports to the provost. So Nathan Brostrom didn’t report to Birgeneau; he reports to the provost, to Breslauer. Which doesn’t make any sense to me. At the end of the day, the CEO’s got to understand the financials and make serious decisions.

It’s now straight down in Oakland. Nathan Brostrom doesn’t report to the provost, he reports to Mark Yudof. That’s the way it should be. I wonder why some things that seem obvious, that I’d had these discussions with Nathan, why they couldn’t get done. I said, “Doesn’t Birgeneau go along with this?” Anyway, Breslauer is not a financial guy; he’s got another agenda. I don’t
know, when things didn’t get done, whether he had good reasons for them or not. It was just totally strange. After half a century, I’d never heard of that before. It took me several years before I found out. Is that just Berkeley? No, it’s everywhere. Is it true at other universities? Yes, some places.

Lage: Where the chief academic officer has the responsibility for the finances, as well.

12:00:32:05
Blum: If you look at what shared governance means, you ought to be able, as the chief academic officer, to have a lot to say about how the academic mission gets put forward. But under shared governance, he has absolutely no authority on financial matters. One of the big things around here, there’s a lot of things where you can take costs down, the way this place runs, without hurting the academic mission—just the idea of consolidated purchasing. There’s still, I am told, at least another $30 million, maybe more, of savings just at Berkeley.

I started on this stuff at the university. We buy $2.5 billion worth of stuff, and we had no consolidated purchasing. The consultants said, you ought to be able to save 15 percent that way. Hey, that’s $300 million. I think we’re maybe a third of the way there, after a number of years of struggling, most of it at Oakland. Maybe it’s $150 million, I don’t know. There’s still another $30 million here. And while you find faculty that are saying, gee, I need another $22,000 to hire a couple of what we used to call teaching assistants, GSIs, he doesn’t have it. Meanwhile, people are buying their plane tickets and hotels however they want to do it, because these guys just don’t want to comply. Well, I think that’s going to change. Because the regents and the president have the total authority to tell them, you want to buy something, this is how you buy it. Why would that logically go through a provost? It should go through a chief financial officer.

Lage: Was this something that would be imposed on all the campuses from the president’s office?

12:00:34:32
Blum: Yes. And the regents.

Lage: It’s an interesting tension between decentralizing and centralizing. So much of the pressure has been to decentralize to the campus level, less power to the Office of the President.

12:00:34:45
Blum: No, no, no, no. They’re two totally different things. Nobody thinks that the teaching should be centralized. What you do is you put a bunch of smart faculty together and then let them do their own thing. I see it in spades with my center. We have people like Linda Katehi from Davis, who wants to help; we’ve got even Lawrence Berkeley [Lab] helping us. I had lunch the other day with the dean of humanities, Carla Hesse. It’s coming from everywhere.
They’re coming up with ideas and courses. I think some of them, they think up a lot more. It’s just letting them use their creative brain power. Nobody wants to stop that. One of the reasons people don’t leave this place, even though they may be underpaid, is because, okay, maybe you can go to Arizona State—I don’t know if that’s a good example or a bad example—and get paid more, but you won’t necessarily have the kind of intellectual, shall we say, enterprise that you have here. That’s what keeps a good university together. But you can’t go on forever underpaying good people. I think a lot of people won’t leave because you’ve got a defined benefit plan, but what about the next crop?

Lage: Yes. You mentioned investments, so let’s— or not investments but the retirement system. Maybe we can talk a little bit about the investment policy. You were on the investment committee early on. Weren’t there some significant changes underway?

12-00:36:51 Blum: Well, the guy who was running it resigned to take a job at Dartmouth.

Lage: David Russ.

12-00:37:00 Blum: David Russ. David Russ was a guy who, early on, a breakfast I had with him was a wakeup call. He told me point blank—this is early, when I first went on the board—he said, “You should know that the regents really don’t understand what’s going on in this university. There is a dedicated team of people in Oakland to make sure that they don’t.” Shocking. And that’s—I don’t want to go into a lot of detail.

Lage: No, but I’m wondering, was he referring to his venue in particular?

12-00:37:47 Blum: No. He did a good job managing the money. But he was down at the office. He was talking about the financial guys that we have talked about, and basically said that they weren’t leveling with the regents. You have now Mr. Hershman saying, well, gee, we really couldn’t tell them. That wasn’t truthful. It’s not truthful, and I’d tell Larry if he was here. You had an obligation, in closed session, to tell the regents what was going on. Otherwise, what are we there for? So the problem really started with a guy by the name of Joe Mullinix.

Lage: And he was the business, finance—

12-00:38:29 Blum: He was the CFO. I don’t know whether Bob Dynes asked him to leave or he just got the hell out, but he went to Singapore. That started me down the road to saying, hey, we need to understand what’s going on here. We can’t take anything for granted, of those things that we were told.
Lage: Were the regents upset, or you yourself, when the agreement with Schwarzenegger was made, about a multi-year budget agreement?

12-00:39:05
Blum: Yes, absolutely.

Lage: Tell me about that. That seems to have raised a lot of ire.

12-00:39:08
Blum: Well, the—what did they call it?

Lage: A compact.

12-00:39:13
Blum: Compact, yes. I was on the finance committee. I don’t think I was chairman of it; it was early on. Bob Dynes comes in and announces he made this compact with the governor. I said, “How did you do that?” He went up and cut this deal with Arnold, basically came to the regents and said, “I’ve done it.” I said, “Well, who did you talk to on the board?” He said, “Oh, well, I talked to—” Who was chairman of finance at the time? Judy Hopkinson. I said, “You have an obligation to talk to the whole board.” Even my wife said the same thing; it wasn’t worth the paper that it was written on. It was not a real obligation.

Lage: On the part of the future years.

12-00:40:06
Blum: Well, do I think Arnold doesn’t mean to give you what he’s—which essentially, it was $10,000 for each new additional student. And he’ll give it to you if he can; but if he can’t, he won’t. So it’s not worth the paper it’s written on, and I told Bob that. Under that agreement, the last time I looked, which was months and months ago, the state owes us $150 million. You know what the odds are of us collecting it? Zero. So it was outrageous. One, it was a stupid agreement; and two, he went and cut it all by himself, without talking to the regents.

Lage: So there were two aspects.

12-00:40:50
Blum: To me, that was reason enough to fire the guy alone. What are the regents there for?

Lage: I see. I’ve wondered if that was a big part of the unhappiness, more so than the compensation.

12-00:41:00
Blum: No, I’m not sure to what extent that that kind of just went over a bunch of people’s heads.

Lage: Was the board divided on that?
I don’t know that they were that tuned into what he had really done. Guys like John Moores and I were particularly upset about it. But it was done. He’d signed it and he ran it through and he got it approved. I said, well, I don’t like it; let’s hope that he lives up to it. And he did for a few years, and then he didn’t.

Apparently, the Democrats in the legislature didn’t like it because they wanted to use the university budget as a way to get tax increases. This was one story I heard.

What they didn’t like about it, at least from what I understood, was that not only didn’t the university discuss it with the regents, he didn’t discuss it with the legislature, either. In other words, Dynes didn’t go to whoever the speaker or the pro temp was and say, this is what I’d like to get done here. He just went for a one-on-one deal with Schwarzenegger. They may have been upset with him for other reasons, but—they were outraged. He had an obligation to go to see them, as he did to talk to the regents; and he didn’t do any of that. Why? I don’t know. I think he got sweet-talked by him.

By Arnold?

Yes. It’s the only thing I can figure. I don’t know.

Has the role of the regents in developing the budget changed under the Yudof presidency?

Yes, I think it’s much more focused on the budget. It’s not like somebody comes in once a year and says, this is what it is; all in favor say aye; next. It’s for two reasons. One, because you now have a president and a team that’s highly focused on, each regents meeting, telling you what’s going on. And two, because you have these budget problems and you’ve got to pay attention. I think that’s mainly why it’s happened.

Do they come back and say, we’ve been negotiating with the department of finance, and here are some of the things?

Yes, they do it virtually every board meeting.

In the finance committee?

More often than not, to an open meeting to the entire board.

An open meeting.
Yes. Absolutely. Occasionally, I guess, maybe there’s something that we needed to know privately. I don’t know why we need to know any of this privately. I don’t know why we need to not let the press know about it. We are a public university, and I think students, faculty, alumni and taxpayers are entitled to know.

Okay. Let’s see. Where are we here? Oh, I was asking about investments and investment policy. You mentioned David Russ. There were some shifts in how things were invested, apparently?

Well, let me just talk about how they lost David Russ [as treasurer and vice president for investments].

Okay. We didn’t finish that story.

David Russ asked for a compensation. He did a lot of research on what other people in similar positions were being paid. If anything, he asked for something slightly less; but it was a lot more than he was being paid. They put him on hold and they put him on hold. Nine months went by and they didn’t do anything.

Is the president or the regents?

President’s office. No, it’s not the regents, it was the president’s office. Mainly, I’m told, it was Joe Mullinix. So finally, he got annoyed and he just threw out a résumé. He didn’t really want to leave. Next thing you know, Dartmouth came in with an offer that he couldn’t refuse, and we lost him. And by the way, they eventually came back, at the end, and said, oh, okay, we’ll pay you what you wanted originally. All they had to do was say that six months before and we never would’ve lost David. David went on at Dartmouth, with a smaller amount of money, for the next two or three years. I think he was clearly in the top 5 percent of the money managers for university endowments and pensions in the country. And Marie Berggren has done okay.

Times are tougher now.

Well, a lot of the stuff’s all relative. In ’08, it wasn’t how much money you made, who lost the lease? But yes, we don’t have a brilliant track record. If you say, okay, just plain vanilla U.S. common stocks, leaving alone bonds or private investments from real estate, to private equity, to international investments, over the last ten years we haven’t made any money. Now, you have a liability, particularly without contributions, that is growing at 7 percent a year. The guys that manage the debt have done a pretty good job. We were behind the curve, in terms of getting into private equity, and we weren’t there...
when they did quite well for over a decade. We were also, fortunately, not there when they blew up. If you look at our returns versus—about two years ago, particularly endowment returns, one of the guys on Chancellor Birgeneau’s executive committee of alumni said, “Look, if we had invested our money the same way—” particularly Yale has a very good money manager, “—they had, we would have $X billion more, even after the blow-up.” It’s an argument for putting all the endowment money together. The problem is, each campus has their own money and doesn’t want to give it up.

Lage: Each campus separately invests their endowment?

12-00:47:59 Blum: Yes. This is the endowment money; this is not the pension funds.

Lage: Right.

12-00:48:03 Blum: So you go down to San Diego, they’ve got a billion and a half dollars. Most of the guys sitting around the table donated the money. They said, “No, we don’t want to send it up to Oakland to be managed. We want to manage it here.” That’s the problem you run into. With a billion dollars, you don’t get a good money manager, and obviously, places like Santa Cruz or maybe Davis, they don’t—

Lage: They don’t have the level.

12-00:48:42 Blum: You get up to three and a half billion dollars, you can start talking about getting somebody, a team. First of all, you can’t have a person do it; you need a team. By the way, for the most part, they don’t manage the money themselves. So they have $X billion and they decide, okay, XYZ hedge fund, you get 10 percent; and ABC real estate, you get 10 percent, et cetera.

Lage: So these are external fund managers.

12-00:49:17 Blum: Yes. Nobody ever looks and says, well, we know what it costs for the staff down at Oakland to manage the money. Nobody ever asks what their payments are, particularly in carried interest, to the people who they have given the money to manage. I understand that world; that’s the world I live in. So don’t whine about whether somebody’s getting $50,000 one way or the other. And then they’re actually paying out tens of millions of dollars in management fees. Which, by the way, they need to because—

Lage: That’s what I’m wondering. You think this has to be done.

12-00:50:02 Blum: Yes, because the universities, the state funds, cannot afford to hire the guys I can afford to hire, because we give them incentives and a lot of them make a
lot of money. So their only alternative is—well, we can do some of it in-
house—is to say, okay, who are the smart guys? Let’s take an example. The
guys who have done enormously well in venture capital, the Kleiner Perkins
guys, well, they’re all over high-tech, biotech. They’ve got connections,
they’ve got guys that used to work in those industries. They’ve had a
spectacular track record. You can’t duplicate that. So you say, Kleiner, please
take my money.

Lage: Yes. And then you pay.

12-00:50:57
Blum: Yes. That’s okay. At the end of the day, it’s what are your net returns going to be?

Lage: That’s right. Do you worry—I’m sure other people do—that the regents
themselves, and you’re probably a good example, have so many ties to this
world that there are invariably conflicts of interest on where you put the
money, who is the fund manager?

12-00:51:18
Blum: No, I think it’s exaggerated. Because I know. One of the reasons I don’t spend
a lot of time in—because I’m in that world. I have always said I certainly
don’t want to make any decisions about what they invest in. I don’t want to
have anything, ever, to even comment for ten seconds, about who Marie
Berggren and her staff choose to manage the money or who their consultants
or these gatekeepers are. What came out was that when Wilshire Associates,
down in L.A., who are pretty good people—they tend to be Republicans.
There was a belief that Gerry Parsky, who’s a Republican, was influential in
getting Wilshire the assignment. That was what was charged.

I was privy to those conversations. I know Gerry well; I trust him. And I know
the guys at Wilshire. None of it was true. It was just a story somebody made
up. That has happened at CalPERS, where you’ve got guys that are on those
boards that bring in their cousin Louie, who’s got a real estate development in
Roseville, and get them to put up the money. They get a fee for getting the
money. I think there’s been little or hopefully, none of that at UC. If there has
been, I don’t know about it. The one time there was a charge, it was false.

Lage: Okay. That’s good.

We talked a little bit about labor relations and the unions. I was told that you
got involved at one point with trying to resolve something, but I have no
details about it.

12-00:53:54
Blum: Yes, more than once.

Lage: More than once? Tell me about how you—
The guy who was the head of labor for the state is a guy by the name of Art Pulaski. He’s a very good and very fair guy. I’ve known him for years; I knew him when Dianne had labor issues with she was mayor of San Francisco, back in the eighties.

Now, when you say head of labor for the state, what—

There is a guy, I don’t know, that works for the state, who is head of labor relations.

Oh, I see. Okay.

And his name is Art Pulaski. He’s a good guy to, when you have a dispute with whomever, you say, hey, Art, can you—he’s basically a pro-union guy, but he’s very fair. In fact, he and I tried to work out some things when AFSCME thought we had an agreement. He told me what they had said to him; Mark and I agreed to it; and then they reneged on it. He was furious at them. I guess because I’m a Democrat, because I’m politically involved, and then of course, when I became chairman, they started picking on me.

The unions?

But it was really about AFSCME. I’ve never talked to any of the other unions, that I can remember.

Which is AFSCME? Who do they represent?

It’s mainly service workers, janitors, what have you, sort of kind of low-end-of-the-labor-scale folks. And a very aggressive group.

Are they the ones who’ve picketed various events you’ve been involved with?

I would say 90 percent of the demonstrations, maybe more, that you see on this campus or other campuses is AFSCME. They believe that making noise gets them somewhere. I think if somebody only gets paid $20 an hour and you work in San Francisco, I don’t know how you pay your bills. We’d love to pay them more, but when the state keeps cutting our budget back we do the best we can, and still have given them some increases. But they think that militancy will help them get somewhere. So they juiced up the students and the faculty. I’ve said, both to students and the faculty, “You’ve got your own issues. Stick to your own issues. Let them stick to their own issues. To the extent that you guys combine with them, it’s a very bad idea. The regents will distrust it.” I think that message has gotten across.
I’ve had to deal with them not only as a chairman of the board, but every time I wanted to bring somebody who was a prominent Democrat to speak for our center—Al Gore, Fritz Mondale and Bill Clinton—none of them would walk across picket lines. I always had to go to AFSCME, give them three pints of blood. [Lage laughs] In the case of Bill Clinton, a few months ago, I was up till one o’clock in the morning about three nights in a row, and these guys never signed off. And by the way, Clinton—

Lage: Now, what are the three pints of blood?

12-00:56:54
Blum: Oh, I’ve forgotten. It had something to do with outsourcing bus drivers and whether they were union people.

Lage: Some university policy.

12-00:57:02
Blum: Well, they didn’t want them to outsource the bus drivers. They have people that run buses up and down—

Lage: Up to Lawrence Lab, that type of thing?

12-00:57:17
Blum: Lawrence Lab, yes. I think the university wanted to outsource them because the buses are falling apart; we can’t afford to buy new buses. If we give the contract to somebody, they’ll show up with new buses. You don’t want those crappy old buses coming down that hill and so forth. So we had to agree to not do that for some period of time. That was one of the issues; I don’t know what the other one is.

Lage: That was to get Bill Clinton able to speak?

12-00:57:45
Blum: It was that, it was three or four other things like that. To be honest, Clinton Global Initiative has something called the Clinton University, where they bring a bunch of these kids to different campuses for a week or two weeks every year. They want to bring them here next year. I was talking to Bob Birgeneau about it last night. I’d like to figure it out. There’s some money involved in it. But I said, “Unless they can get these guys to go away, I’m not going to do it. I don’t want to go through it again.” Bob and Mary Catherine said, “It’s too bad when we make decisions based on stuff like that.” I said, “Yeah, it is. If somebody else wants to take it on, fine; but I’ve had it with these people.”

Lage: You seem to be more critical of the labor union than the university, in this instance.
Blum: Totally. No, I’m totally critical of the labor union rather than the university. I think the university’s done everything they could, and maybe more than we should, to give them increases when our budget was being cut. I think these people have been arbitrary, unfair. A lot of these guys are thugs. My concern is if they get back at it and keep it up, one of these days somebody’s going to get hurt. They came close to torching the chancellor’s university house.

Lage: But was that the union?

Blum: No, it wasn’t the union. It was some anarchists, whatever those are. It was at night and there were people down there. Some of them were students, where they were watching. There were some labor guys who were out. But it was their chant, “No justice, no peace.” I’m not accusing AFSCME of having done it, but they fed the fires that got these crazies to what was almost an extremely dangerous situation.

Lage: I’ve got to stop this tape; it’s running out.

Blum: Okay.

Audio File 13

Blum: [Conversation begins before recording]—and gone and been critical about a lot of personalities. I wouldn’t want the newspapers to regurgitate, you know, “What did you think of Larry Hershman or Bob Dynes?” What’s done is done. I’d prefer that they didn’t see it, but if they saw it, they would not be shocked by what I’ve said.

Lage: No, I’m sure they know how you feel. We were just talking there about the fact that portions of the interview can be sealed if you don’t want them public yet.

Blum: By the way, I have no problem you giving this to the guy who’s writing the book.

Lage: Okay. But we will clear that with you before we do.

Blum: Because I have control over what the book says.

Lage: Just to finish that bit about the unions, as I’ve talked to other people at UCOP, and they point out this kind of complicated relationship in union negotiation, labor relations in the university, because the legislature comes in, so you have
a three-way negotiation. Did you try to make any efforts with the legislators at all?

13-00:01:22
Blum: No. No.

Lage: Since you have that political side of your life.

13-00:01:25
Blum: No. Look, there’s only so many hours in the day. I wasn’t, other than through Art Pulaski—maybe once or twice. No, I talk to union guys. Maybe a couple times. A lot of the guys that were hollering up there about the labor issues never had the guts enough to talk to us because they knew that it was disingenuous. They’re cutting the money they’re giving us, and somehow we’re supposed to pay these guys more? They knew that, so we never really heard from them.

Lage: You mean, from the legislature on this.

13-00:02:11
Blum: No. They didn’t want to bring it up because they knew goddamn well what we were going to say.

Lage: Apparently, in the past, they have brought it up. “We’re going to cut your budget if you don’t pay X more money.”

13-00:02:23
Blum: Maybe somebody else heard that; I never heard it.

Lage: Okay. I don’t know if we should get started on the national labs, if we just have ten more minutes.

13-00:02:40
Blum: Yes, go ahead. It’s probably ten minutes worth, because I’m not a rocket scientist.

Lage: [laughs] Okay. You were on the lab advisory committee.

13-00:02:49
Blum: Yes.

Lage: And these were crucial years—

13-00:02:53
Blum: Oh, yes.

Lage: —competing for the new contracts and getting private partners. Were you involved?
I was involved for a couple of reasons. One, my wife is now chairman of the intelligence committee, so she’s always had an interest in this. I thought, and she certainly felt this way, that the Bush administration, to build a new pit facility down at Los Alamos was a bad idea. What’s a pit? They use terms that nobody knew. It’s a trigger for an atomic weapon.

Oh, I didn’t know about this.

Yes. So the more pits, presumably the more—they’ve got this stockpile, and they wanted to upgrade these things. They also wanted to take up some of these old bombs, re-case them. There’s a name for it. So they wanted this new pit facility. They said, “Oh, we’re only going to make ten or fifteen a year.” They could make fifty, could’ve made a hundred. And my wife, maybe single-handedly or with the help of others, blocked the funding, which was supposed to be a billion and a half dollars to build this thing.

Now, was that all kind of a secret thing or—

No.

—completely public.

No, no, no, it was totally public.

Okay.

Of course, you could do down there, and there’d be guys that would know about this and give you some rationale for why this—

So the pit facility.

That was part of the problem. The other part was that the general conclusion was that, particularly Los Alamos, from a business point of view and financially—surprise, surprise—was badly managed.

Well, they’d had so many problems.

Yes.

And they had the Wen Ho Lee case, which—
Blum: It was badly managed, by any objective measure. Not the least of which that everybody there had a credit card, where they could charge anything they wanted, up to $5,000 on it. At the end of the day, I said, “Oh, my God, how do you give—” There were thousands of them out there. At the end of the day, there were very few people that were dishonest about it. But I think the main thing is there were security breaches. What happened was that they’d had the contract for sixty years, and it was automatically renewable. By the way, the university never made a nickel off of it. They finally put it out to bid. There’s a long story about all this.

Lage: Do you know it from the congressional side, about the pressure to put it out to bid?

Blum: It came from the White House.

Lage: From the White House.

Blum: And the people that—how do I say? It’s not Lockheed Martin. It’s one of the major defense contractors.

Lage: Not Bechtel, that we ended up partnering with.

Blum: No. Bechtel was on our side. Maybe it was Lockheed Martin.

Lage: Lockheed Martin partnered with Texas, I think.

Blum: Okay. It was Lockheed Martin. Yes, with Texas. What I didn’t know was a company that we had an investment in, URS, they didn’t tell me about it. To make a long story short, I got so mad at the URS people—we were the major shareholder for twenty-plus years, and I was vice chairman—that I resigned from the board and sold all our stock. It was a large position.

Anyway, leaving that aside, the Lockheed Martin board looked at it and said, there’s only a downside here. We screw up, we’ll get slammed in the press. We can’t make any money. So the White House heard about it and said, okay, there’s going to be a $40 million annual profit in it if you win.

Lage: So they upped the fee significantly.

Blum: It went from zero to $40 million. So we thought we were dead because Lockheed Martin, Texas—

Lage: Yudof.
Blum: Yes, well. And the company that had an interest in URS. I said, “I don’t want to vote on this thing.” I hadn’t then sold the URS shares. I would’ve obviously backed the university, regardless of the fact that they were on the other side. What created the blow-up I had with URS, I told our general counsel, “Leave me out of this.” So it’s the end of the board meeting, people are leaving. They said, “Dick, we don’t have a quorum in which to decide whether we want to bid or not.”

Lage: This is the URS.

Blum: No, this is the University of California.

Lage: Oh, the University of California.

Blum: There were some people who said, the hell with them. Let somebody else do it.

Lage: Forget it, we’ve never had to bid on it before.

Blum: We don’t care. A lot of the students didn’t want us to do it, some of the faculty didn’t want us to do it. I think clearly, the majority—not all, but the majority of the people on the board wanted us to do it. They said, “Dick, we need your vote or we can’t get this thing passed. There’s not another board meeting.” So I said, “Okay.” Then generally, people made comments as to why they voted one way or the other. I said, “Look, I don’t think the University of Texas is anywhere within light years in the same league, intellectually, as the University of California is on this issue.” Why did I say that? Because Bob Berdahl, who had been chancellor here, and before that had been the head of the University of Texas, had told me, a couple years before, he said, “I see what’s going on here. Texas isn’t in the same league.” And because I knew some of the games played, with the White House.

I said, “I’m not sure I trust the process.” They thought I was taking a shot at Lockheed Martin, which I really wasn’t. Although they played some games, too, and I won’t bore you with the details. They had originally said, we’d like to work with the University of California, if they want to be our partner, but we won’t compete with you. They lied. Because at the end of the day, Bob Dynes went and met with them, didn’t like the deal, wound up with Bechtel. Then they went and competed with us anyway. So we thought we were dead.

Dianne was worried about it, and Bob Dynes and I, the day they made the call. But the guy who was the undersecretary at DOE, who understood this stuff, listened to the presentations. He basically said the exact same thing that I had said, which I’d heard from Berdahl. He says, “They’re not even in the same league. This is going back to the University of California.” I don’t think the
White House was happy about it. Here you’ve got these liberal guys out in California just basically told the Texas White House to go pound sand. So we all thought we were going to lose it. And we didn’t.

Lage: So it was a big surprise.

Blum: The guys at Lockheed Martin got upset, guys at URS got upset. I was really referring to the University of Texas, I wasn’t referring to them. Although one of the directors at Lockheed Martin played games with me. I won’t bother to go into that. I finally said, “URS says I’ve got a conflict of interest. That’s baloney.” Sort of, “Choose between URS and University of California.” I think a lot of them thought I was going to choose URS. Because I had taken this company from when they had no money, couldn’t meet payroll, $50 million, and it was now, years later, a $4 billion company. I said, “The hell with it.” I sold all our stock and resigned. Most people don’t know that.

Lage: Did you have anything to do with the Bechtel connection?

Blum: Well, I think Bechtel was an obvious choice. We’ve known the Bechtels for years. George Shultz is a good friend; he’s on the board. Although I don’t think we talked to George about it. Steve Bechtel’s retired; it was really about Riley Bechtel. The good thing about it is they were a San Francisco company. They had a good reputation. And importantly, they were big Republicans.

Lage: Oh. [laughs] There’s the politics, huh?

Blum: Well, we probably would’ve gotten it anyway, but Bechtel’s been a good partner. They were our partner at Livermore, running the business operation, too.

Lage: Now, there are bigger lab fees now, as you mentioned.

Blum: Sure, because we got the $40 million.

Lage: Does the university get that or Bechtel?

Blum: We split it. They get a piece of it and we get a piece of it. We get more of it than they do, but I don’t know how it’s divided.

Lage: Oh, really?

Blum: It was interesting. Bob Dynes went and cut this deal with Bechtel and said, “You can’t do any better.” Gerry Parsky, who was then chairman of the Board
of Regents, said, “I disagree,” and went and pounded on Bechtel and got a much better deal for the university.

Lage: Oh, in terms of the fees?

Blum: Yes, the split of the fees.

Lage: Oh, my goodness.

Blum: Gerry Parsky did that.

Lage: How would you rate, overall, that aspect of Dynes’ presidency, his handling of the national labs? He appointed three directors and Admiral Foley.

Blum: Well, Foley was my idea. I’d known Bob for twenty years. He knew about the lab. He had been the head of the Pacific fleet. Got to know him during Fleet Week back in the eighties, when Dianne was mayor. I said, “Bob, this is crazy. You’re running these three labs. They’re autonomous. You don’t have anybody sitting here that reports to you, that knows what’s going on in these labs. I would argue that if you’d had a Bob Foley or whomever that had been going down there and understood that these problems have been going on for years—” It was another case of UC’s not mismanagement, but no management. That’s why Bob Foley was hired.

Lage: So you were happy with that.

Blum: No, I was happy with it, but then this was one guy. You had to fire the one director, and this retired admiral that they hired didn’t do the job either. They had to get somebody else. And it’s remote, and who the hell understands about how you run one of these labs, anyway. It took me a year and a half to get the security clearance, not that I understood what they were talking about anyway.

At the end of the day, the contract renewals now are not automatic, but they’re pretty automatic. We actually have a long-term contract, certainly with Los Alamos, and I think with Livermore. Livermore, we’re fine because that’s mainly about this National Ignition Facility, which is this huge laser, which is a $4 billion, ten-year project. It’s done; it’s up and running. I think everybody’s happy with what’s been done. And Lawrence Berkeley has been rated, of the nine or ten energy labs DOE oversees, as the best lab in the country. To wit, they took the guy who was running it and made him secretary of energy.
Lage: [laughs] Right. Now he’s in the oil business [as a result of the BP oil spill in the Gulf of Mexico].

13-00:16:00
Blum: Oh, boy, is he. I understand this from Paul Alivisatos, who’s taken his place, he saw Steven Chu last week and he says, 24/7, the BP.

Lage: Miserable. Okay, I think we should stop because I know you have to go.

13-00:16:18
Blum: Yes. Meanwhile, the only interesting thing about that is, and I hope nobody brings it up, is the main funder of our alternative energy research is the $600 million grant from—guess who?

Lage: BP!

13-00:16:35
Blum: Yes. I asked Paul the other day, [laughs] I said, “How much of the money have we got?” I thought I knew what the answer was. They give us $50 million a year. I said, “Well, we’ve just got to pray they don’t go bankrupt.”

Lage: That’s right. Goodness. Okay, this has been very interesting. We’ll stop.

13-00:16:55
Blum: Okay.
Lage: We were going to start, because a lot has happened since we met in June, to the university, the budget. I just wanted to get your idea of where you think the university stands in relation to Sacramento.

Blum: Well, I think maybe what I’ve felt for a long time: the truth is that the State of California no longer can, or has the will to, fund the University of California in such a way that it can remain competitive with the best universities in the country, pure and simple. So then you have to say to yourself, okay, what are you going to do about it? You have to look for other sources of capital. One of the models that’s used by a lot of the universities is higher tuitions, which, before somebody comes and wants to kill me over even mentioning that, and higher scholarship funding and higher—

Lage: Well, that’s been a model that we’ve worked with here.

Blum: Yes. Ideally, if you were going to raise tuition a few thousand dollars, you’d like to be able to afford scholarships for the increases, say for everybody that comes from a family that, for example, makes less than $130,000 $150,000. I think the university has to do a much better job of making the public aware of the UC’s needs. There ought to be a major effort to go out to all the major corporations in the state and say, Look, we helped you with your research, you employ our graduates. When you ask anybody the question, do you want the University of California to be as good ten years from now as it is now, the answer, of course, is always yes. Well, if the answer is yes, that means to be competitive for the faculty is something you can’t even question. By the way, we’re not particularly competitive at the moment.

You have several options. You can try to run the university more efficiently. We’ve gone a long way in improving that; we still have a ways to go. You could have fewer students; but frankly, that doesn’t even help you very much. And you can raise tuitions.

Lage: We’ve done that.

Blum: And you can go out and raise whatever money you can in the private sector, through philanthropy. I think we have to take these other options, understanding the state’s going to do what the state’s going to do. You’ll always want to lobby for as much money as you can, but I think we spend too much time, too much attention, too much whining in Sacramento, for what we get out of it.

Lage: When we started these interviews a year or more ago—
I probably said the same thing.

You said something the same, but I had the sense that you thought we weren’t doing a good job in Sacramento. But now I get the sense that you think maybe there is no way to do a really good job in Sacramento, given the circumstances.

Well, one year ago, to be honest, we had a governor that didn’t really make higher ed a priority. Arnold Schwarzenegger, in the last year or so, did realize that he should be doing more, and I think he tried to. In any event, I’m not sure, with Jerry Brown, who has been a friend forever and ever, that you’re going to do any better. Governor Brown is going to take the attitude, which I think is correct, that he’s not going to sign onto any more mythical budgets, that he is going to make the cuts that they have to make. He said, “Look, we’ve got, at least at the moment, this year, a $15 billion problem.” He’s going to take seven and a half billion out of the budget and hope for these tax increase extensions to go through in the special ballot. If they don’t, then he’s going to go take another seven and a half billion out of it.

As difficult as that is, that may be the only thing you can do. When you talk to people in general about more taxes, everybody says no, to a great extent. They believe that whatever the cuts are, if they ever come, they won’t really affect me. Unfortunately, it’s not true. Where the cuts are going to hit are probably the place they shouldn’t hit. It’s going to be elderly, the poor or the disabled. I don’t think it’s what our society’s about. And education.

Now, you mentioned Jerry Brown, your good friend, a Democrat. The Democrats control the legislature.

But he has no choice. We aren’t the U.S. government; we can’t print money. Our credit bond ratings are the lowest of any state. If you keep running these deficits, sooner or later you will run out of options and you’ll have to default on your debt. What’s happened with these mythical budgets is they say, “We have a balanced budget.” Then at the end of the year, “Oh well, we ran a $10 billion deficit,” and you start the next year $10 billion in the hole. It continues on, and this debt is mounting. One day somebody’s going to say, “I’m sorry, we’re not going to extend the State of California—we can’t sell the debt anymore.” Then you will have a monumental catastrophe on your hands. So he has no choice but to do what he’s doing, unless you want to play games.

You’ve had a legislature, and frankly a governor, that in recent years has played games. If you ask people whether they think the government in Sacramento is doing well, 82 percent of the people say no. Jerry’s going to try and turn that around. I think he’ll gain credibility. Whether it will make anybody feel any better, I think the answer is no; it’ll probably be worse for a while.
Lage: That’s a pessimistic view you’re giving me.

Blum: It’s not a pessimistic view.

Lage: Or realistic.

Blum: I’m an optimist. I always look at the bright side of things. But as they say, it is what it is.

Lage: Do you think the university, in those conditions, can still maintain quality and access?

Blum: They just have to pursue the different options. They have to get much more aggressive about raising money. I think they need to maybe sell some debt on their own to pay for scholarships. They will have to increase tuitions. Combination of the $500 million cut in our budget, the just normal increases in running a $20 billion institution, and because of contracts, because of utilities, that’s another $350 million, and then you’ve got another $200 million or so that we need to contribute to the pension plan. So it’s a billion-dollar issue.

Lage: It is.

Blum: It’s not chump change.

Lage: Where is the public? We have public education, but all the solutions are private. More donations from private industry or individuals, higher tuitions.

Blum: The other thing you do is go to the ballot. You do it with the three institutions of higher learning, you put something on the ballot that says, okay, we’re going to tax oil extraction revenues or increase the sales tax or licenses or something like that. Those things are very hard to get passed. Even though they say, Yeah, I want UC to be as good, if not better than ever; the only thing is, I don’t want to pay for it.

Lage: Yes. It’s a sad thing. Now, the Commission on the Future has come up with options and some contingency options. Do those seem helpful to you?

Blum: I don’t know much about the commission. I’m not on the commission.

Lage: You didn’t get involved with it?
Blum: No. If there are any bright new ideas, I haven’t heard them. That doesn’t mean they aren’t there, I just haven’t heard them.

Lage: Are there any ideas that are floating around? One rumor I heard was selling a campus.

Blum: That’s ridiculous.

Lage: Are there any things like that, that you think are in the works?

Blum: No, nobody’s going to sell a campus.

Lage: Do you think the retirement system will hold up?

Blum: It will only hold up if we, the university and the employees, pay into it. What strikes me about this place is, with all the brilliance in the faculty and in the labs and so forth, how many stupid, truly stupid decisions have been made about how they run this place. They have a defined benefit plan. They haven’t paid into it until this year, for twenty years. The idea that you could just earn enough money without paying into it and think that it was going to work—. I’ve been trying to restart that plan for seven years. Finally we’re now starting it because we had a president that had the guts enough to stand up and say, Look, if you all want to collect your retirement, you’ve got to pay into this system. What made it even more ridiculous is that if UC put in $100, $200 million, whatever it is, for their part of the retirement plan, it was the obligation of the state to reimburse us. So we didn’t put in any money, we didn’t ask them for any money, for twenty years. Insane.

Lage: Yes. And it was very wealthy for a while.

Blum: Now we’re trying to get back and make up for it, in what is a very difficult time because of the recession, finances and so forth. But we have no choice. I think there are some of us who don’t want to look back ten years from now and hear that, oh, my gosh, the retirement plan didn’t make it, and we could’ve fixed it and we didn’t.

Lage: Do you see investment decisions as being at all responsible for the retirement plan’s—?

Blum: Look, obviously in 2008, the retirement fund didn’t do particularly well. But then you say, well, who did do well? If you look at its cousins up in Sacramento, CalPERS and CalSTRS, they both did worse. It’s hard to say that the people that did the retirement plan were at fault for this. The fault is the
assumption that we can make 15 percent on our money every year and that we
never had to pay into it. It was a bull market that went on for too long. I’m on
record, I think in March or May of 2007, saying that when I tried to restart it
back then and was opposed by the lieutenant governor—

Lage: Tried to restart the contributions?

Blum: Yes, for I don’t know how many times. They said, ah, we always make 15
percent on our money. I said, “Look, I’m old enough to remember what a bear
market was like. This is the most overheated market I’ve ever seen. I think the
thing’s going to blow up soon. When it does, watch out.” Having no idea it
was going to be as horrific as it turned out to be.

Lage: Yes. Well, we’re not going to solve these problems here today, but I just
wanted to get your take on it.

Blum: Sure. Okay.

Lage: Should we talk now about the Blum Center? I’ve been wanting to get to this
time and again.

Blum: Yes. No, go ahead.

Lage: We’ve referred to it many times, but I really want to get into how the idea
came to you and how you brought it out, who you worked with.

Blum: Sure. Well, my interests in global poverty started because I went to Nepal in
1968 as a climber, trekker. I’d always wanted to go there. Got to know the
Tibetans and the Sherpas. As human beings, it’s very easy to like them.
They’re all good Buddhists, and most of them believe that the way you bring
happiness is try to help others. I was a stranger in a strange land back then,
and I didn’t see any other Westerners for a month. Now I go back there, it’s
like going home. I was with two Tibetan porters and a Sherpa. They just went
out of their way to make me comfortable. Not in a subservient way, but
because I was another human being. That spirit is what we’ve learned from
those people. It’s been an honor to know His Holiness [the Dalai Lama] for
almost forty years now. It’s the spirit in which we started the American
Himalayan Foundation, which today has 175 different projects throughout the
Himalayan region.

Two things happened. One, we discovered that trying to work with institutions
that were supposed to be helpful to you, like AID and the World Bank and the
UNDP [United Nations Development Program], that they were big
bureaucracies, very difficult to deal with. We also didn’t spend enough of our
own funds, as a percentage of GDP, on foreign assistance. So I started a center at Brookings that frankly, during the Bush years, they didn’t pay much attention to what we were doing. Now I’m happy to say we’re fully engaged with the key people in the White House and the state department.

Lage: What is this center at Brookings?

Blum: It’s a global poverty center, but it’s primarily focused on foreign assistance reform. We spend $29 billion a year on foreign assistance and it’s kind of brain dead. By the way, most people in the administration, from the president and the secretary of state on down, wouldn’t disagree with that. So we’re going into a number of different ways to make it better. They have a new dynamic head of AID, by the name of Rajiv Shah, who came out of Gates [the Bill and Melinda Gates Foundation]. He wants to figure out, as we have here, on our center at Berkeley, how technology transfer, whether it’s cook stoves, ultraviolet water systems, or specialized low-cost lighting, can be used in these developing countries. So they’re, I think, going to run all those things better, in that—excuse me.

Lage: We’re going to have to get you some tea.

Blum: Yes, I got up early because I just came back from Washington. Yes, if we could take a time-out. [Interruption]

Lage: We’re back on. We’re talking about foreign aid. But really, lead it into Berkeley, because we can go—

Blum: Okay. At any rate, I’d been involved with the business school, really, from the time I went to school here. I was thinking of other ways to help the school. I don’t know, the idea of just having my name on the side of a wall someplace because you helped pay down some debt or whatever it was, as much as I’m very fond of Rich Lyons and he’s done a great job of running that business school, it wasn’t what I wanted to do. So one day I’m walking across the campus with the chancellor and it just occurred to me. This is the place that recruited the most Peace Corps kids, that always cared about these issues. I said, “Bob, what would you think of the idea of a center that deals with global poverty?” He turns to me and says, “I love the idea.”

Then we continued the discussions, and we got it started with, really, two things in mind. Introducing students, even just through a core course on global poverty, a survey course like you’d take on music or art history or whatever, so that people would learn about it, and maybe that’s what they want to do with their life. Then maybe they’ll get involved later on in life, or maybe they’ll never do anything except learn something about it. So thanks to just the basic interest of the students—
But can you tell me how these discussions, from this germ of an idea, walking across the campus, to this wonderful center, what were the steps?

Well, there were two ideas right at the beginning. One is, what courses should we teach, and the idea of embracing technology to develop it for use in the Third World.

Were those ideas you brought to it, or the chancellor?

Well, the class ideas were mine. The technology really started with a guy by the name of Rich Newton, who was then dean of the school of engineering. A wonderful human being, who unfortunately developed cancer and died, passed away within the year. He left the mantle to Shankar Sastry, who is also dean of the school of engineering.

So Rich Newton helped foster the idea?

The idea of not just having courses and sending kids abroad, but bringing the idea of technology and what can it do, not for you and me, but for people in the developing world. Frankly, as a business guy who barely knows how to tie his shoes, the technology idea would not likely have been mine. But the minute we started talking about it, I said, “Of course, that’s what we should do.”

So that brought engineering in.

Yes. Well, it started with the dean of the school of engineering. Then we brought on a lovely young professor, by the name of Ananya Roy, who is a powerhouse. The first year, the key course, which is called Global Poverty Practice and Theory, there were 100 kids in her class. The second year, there were 200 new kids. The third year, they moved it to Wheeler Auditorium, which seats 730, and a thousand or more, 1,100, signed up for the course. We now have Bob Reich, who is actually part of the Goldman School [of Public Policy], but has written extensively on poverty issues and teaches a course there in our center. Same thing. So we have had 4,400 kids through our classes in four years; we’ve had 230 to 38 countries; and we have 500 kids in our minor, which they’ve never had a minor that grew this fast. I don’t think they ever had a minor that had 500 students in it.

Linda Katehi, who’s the chancellor of UC Davis, says, “I know what poverty’s like.” She grew up in a small village in Greece during the civil war. We have started a program up there. We also have faculty—I don’t know if they’ve started this yet—that come from Davis, one professor from agriculture, the other one from veterinary medicine, who are going to come down here and
teach a course two days a week on rural development. And we have a joint

course starting with the law school, about governance, because proper
governance in these countries is so important.

Lage: Very interdisciplinary. Much more than most programs.

14-00:23:45
Blum: Totally. We didn’t want to make it a major because we didn’t want to compete

with anybody; we wanted to cooperate with them all. We have a couple of
courses in the business school, sociology, and also with public health. We’re
figuring out how to bring UCSF into it, from the point of view of health care. I
sort of think our courses will be up and running at UCLA within a year.

Lage: Oh, you’re doing it at UCLA, too?

14-00:24:23
Blum: Well, we’re talking to them. I have no reason to believe that we won’t get it
going.

Lage: How is all this funded on the different campuses?

14-00:24:31
Blum: Well, so far it’s been me.

Lage: Oh, it’s been private.

14-00:24:34
Blum: We get a little money. We have gotten money, a fair amount, for specific
research projects, to develop water systems or cook stoves or whatever it is.
The operating budget, most of it’s come from me, a little from the campus at
Berkeley, and more than that from OP [UC Office of the President].

Lage: The multi-campus aspect?

14-00:25:06
Blum: It’s actually out of some research pot in Berkeley, I don’t know what it is.
We’re starting to teach our courses in Beijing, at Tsinghua University. We’re
going to send a bunch of our kids, with Chinese kids, to western China this
summer.

Lage: How do these ideas come about? Give me an example now. You act like it just

happens.

14-00:25:34
Blum: The one from Tsinghua came from Bob Birgeneau speaking in Beijing and
talking about the center. It was their idea. The one for the agreement with the
Inter-American Development Bank was mine. Because you start talking about
poverty and everybody, it’s Africa, Africa, Africa, maybe a little Southeast
Asia. I said, “What about south of the border?” For some reason, I don’t know
why, there isn’t more of a focus on it. We signed the first agreement ever with Inter-American Development Bank, which I think came into being about the same time, and with the same idea, as the World Bank. We’ve got a lot of things going. You’ve got to keep track of them all and keep moving them ahead.

Lage: Who does that part? Who does the coordinating of these?

Blum: The two key people are Shankar Sastry and Maryanne McCormick, who’s our acting executive director. We actually need more people. One of the reasons we finished the building over here, which I don’t know whether we’ve talked about that—

Lage: I’d like you to talk some more about that.

Blum: Which was really, I think, Shankar’s idea. We took this old naval architecture building, built in 1909 or something like that, and redid it, built a new wing on it. It’s kind of neat, and different looking. Frankly, if I’d had my way, I would’ve torn the old building down, but they wouldn’t let me.

Lage: That’s been kind of a campus icon for a while.

Blum: No, no. No, I had no chance. But it was donor-developed. I paid for it all, so therefore, the university didn’t have to get totally involved, so we could get around certain requirements. We could put in a twenty-year toilet instead of a hundred-year toilet, things of that nature.

Lage: You go down to the detail, if you’re telling me about the toilets here.

Blum: Yes. Well, mainly, I was told about the toilets. I didn’t go out and price toilets.

Lage: Did you have a hand in picking the architect?

Blum: Yes. We couldn’t have done any better. It’s Art Gensler. I’ve known Art for years. He runs certainly one of the biggest architectural firms in the world. Art, because he went to school here, took a personal interest in the building, and I’m sure that made a difference.

Lage: It really fits very nicely over there on the north side.

Blum: Well, thank you.
Lage: Now, you’re very hands-on, it looks like, in the development of this. Are there any areas where you’re kind of hands-off?

Blum: No, I’m really not hands-on; I’m hands-on in the sense of strategy, direction, what do we want it to look like and how do we get there. Or joint venture ideas, particularly like Inter-American Development Bank or a bunch of other things. In terms of operating nitty-gritty, that’s not me. In fact, I know well enough now to never try and do it. One, because I don’t like it; and two, because I’m not good at it. So three, what do you do? The thing that only makes sense is delegating.

Lage: But thinking about the big picture and where to go next.

Blum: Yes.

Lage: On the dedication day, I went in and saw the students’ projects, which was extremely impressive.

Blum: Oh, okay. Then you know what I’m talking about.

Lage: How does all that happen? Who organizes that, and where do they get funding for that?

Blum: Well, somebody once said that the way you make a successful university is get a bunch of very bright faculty, just put them inside a campus and let it happen. So some of these ideas are mine, but there’s a new idea a day that’s being cooked up there, and I think that’s wonderful. That’s the strength of the university, that’s the strength of Berkeley. The fact that there are all kinds of things going on that I would never have thought of. God bless. That’s what we want to have happening.

Lage: The idea of these students heading all over the world and running their projects and making contact with local groups.

Blum: Yes. The way that works is that you have to have a project approved by your faculty member and you have to work with a recognized and acceptable NGO. So probably not the Muslim Brotherhood. [laughter]

Lage: Is that a concern, ever?

Blum: No, I’m just—they may be fine, I don’t know. Everybody’s waiting to see what happens.
Lage: Has your work with the students and the faculty there affected at all your ideas about global poverty and how to alleviate it?

14-00:31:27
Blum: No. Well, has it affected it?

Lage: Has it shaped it?

14-00:31:31
Blum: Yes. You learn something when you talk to people about the issues. A lot of these kids in these classes come from poor and developing countries. You listen to, say, somebody like Ananya Roy, who’s very smart. The questions that—I learn something every time.

Lage: Have you attended her classes?

14-00:31:55
Blum: I have them all listed all the time, and then I look and, ah, I can’t make it today, and I can’t make it another day, can’t make it another day. Then you feel guilty about it. On the other hand, just tonight, we’re going to have—they’re not quarterly, but probably, I’m meeting them every two months. It’s Shankar Sastry, it’s Laura Tyson, it’s Erica Stone, who runs our American Himalayan Foundation. We have dinner and just kick more ideas around.

Lage: Is that a formal group, an advisory group?

14-00:32:34
Blum: You can call it whatever you want. We get together and have dinner.

Lage: Okay, it doesn’t sound formal.

14-00:32:39
Blum: No, we don’t formalize it, I guess. If you want to call it an executive committee, you could call it that. I prefer to not put labels and just let people get together. Then somebody doesn’t even know why they’re not on an executive committee; I say, well, it’s simple, because we don’t have one.

Lage: Pretty smart.

14-00:33:01
Blum: Yes. I think things get, particularly in a bureaucracy like this, too formalistic, too much of a pecking order. I am a flat-organization guy. When I was chairman of the Board of Regents—I still don’t like it when they call me regent. Call me Dick, call me Richard, or call me a bad name if you want, because it just, to me, sort of stratified the relationship. If there’s a guy who’s working on the gardens out there, who thinks there’s something that I ought to know about, knows who I am, comes up and says, “Let me tell you about those lilies out there and why you shouldn’t plant them,” I’m happy to hear it. I think one of the problems you have with this system is that it’s so big and so
complex and so difficult to understand; and then you have regents who show up in a meeting for a day and a half. They’re too removed.

Lage: They haven’t had the experience you’ve had, of dealing with faculty.

14-00:33:12 Blum: Well, no. See, that’s it. In fact, there used to be a rule—now, it’s not enforced—that faculty were not supposed to talk to regents, which I thought was beyond stupid. I’ve always gone out of my way to make friends with people. I’ve known the people in the business school for a long time, and guys like Chris Edley, who is dean of the law school, we talk. Or you know somebody’s kid that’s a student and you say, well, what do you think about this, that and the other thing? You never quite know where your next good idea comes from.

Lage: And you don’t think that many of the regents are connected in that way, it sounds like.

14-00:34:56 Blum: Well, they show up for a day and a half every two months. You can deal with a lot of issues, understand a lot of the stuff. Most of them have day jobs and don’t have the time to do what I do. The combination of spending three years trying to restructure the whole campus, eighteen hours a day, and then to come over and at the same time spend time in the middle of the political cyclones that go on around here—it’s all been very instructive. I think it helps me be a better regent, and it helps me better figure out how to grow this foundation.

Lage: Have there been political cyclones in the Blum Center?

14-00:35:52 Blum: No, no, no.

Lage: You’re not talking about that.

14-00:35:53 Blum: The political cyclones within the university. No, we haven’t had any political cyclones at the center.

Lage: But what seems key to me, what’s missing with other regents, is your sense of, let the faculty go about their business and you’ll get the best end product.

14-00:36:10 Blum: Well, you can’t manage a proper way to exchange ideas. I think our job is to see that the place is run as efficiently as possible. That’s administration. Or you can decide whether a building makes sense or not. I think the concept of shared governance, which is reasonably well defined, is that we’re smart enough that you give the faculty the money you’re going to give them and let them do what they want. I don’t think you want to go in there and say, no,
you’ve got to teach more courses and do less research, or vice versa. Their peers will help decide that.

Lage: I wonder, if it comes to the point of having to cut programs in order to meet budget, will it be the faculty who—

14-00:37:14
Blum: Oh, yes. No, no. The regents are never going to say, look, you ought to cut art history or—

Lage: No, they wouldn’t.

14-00:37:21
Blum: No, we never have anything to do with curricula.

Lage: But it might be the administrators.

14-00:37:26
Blum: Well, sure. If you’re in the academic realm, if you’re chancellor, provost, or vice chancellor or dean, you have the right to make these decisions. All these decisions concerning my center, that I want to move ahead, they don’t need to do anything. Technically, I’ve given my money, I’ve told them what I want to do, but I have no authority. The governance belongs to the university. Fortunately, we have a very collaborative group and we kick ideas around. So the issue of my wanting to do something or not wanting to do something and somebody going counter to it, I can’t imagine it’ll ever come up. If I felt strongly that there ought to be another course in the business school and our team said no, we want to get rid of that and two other ones, they could do that. It’s not likely to happen.

Lage: Well, let’s talk about something controversial. There’s a lot of stuff floating around on the Internet about conflict of interest on the regents, and particularly regarding you, about your investments in for-profit higher education. Tell me about that. I think these things have to be addressed.

14-00:39:29
Blum: Well, I’m happy to tell you about it because it’s utter nonsense. There are some students that are out there that have never done the research. Also the union guys, who I have not gotten along with because their wage demands have been ridiculous—it’s just the AFSCME people—have said the following: Somehow they think that I and maybe others make money; that I want to start [employee contributions to] the retirement system, funding it, because somehow I make some money from it. Which is ridiculous!

Lage: There are two areas. One is the investment and one is the—

14-00:40:22
Blum: First of all, I don’t have anything to do with the retirement fund. We can’t do business with the fund. Even companies we’ve been affiliated with, we’ve
told them, no, you can’t go calling them. So we have nothing to do with them. I have no idea what they invest in, and I purposely don’t want to know. By the way, somebody told me a couple months ago it’s all public information. I don’t want to know. I’ve got enough other things to work on. My attitude is, you hire people to manage the money properly; if you think they’re doing a good job, you leave them alone to do it. I’m not even on the investment committee.

And to say that any other regent has a conflict because of all this stuff is nonsense. None of us have. By the way, the general counsel, Charlie Robinson, finally issued a public letter some time ago and said that all these charges are baseless and ridiculous.

Lage: What does the investment committee do, in terms of guiding investments?

14-00:41:36 Blum: It’s run by Paul Wachter. I’m not on the committee; years ago, I was on it. They want to know whether the balance of the portfolio makes sense, in terms of equity versus debt, and, say, versus real estate versus emerging markets.

Lage: So they might suggest moving—

14-00:42:01 Blum: Yes. You just say, “Have you looked at this, or have you done that?” It’s almost more of a monitoring function; less about suggesting what to do, and more to watch to make sure that they’re not doing something we think is stupid. At least that’s what it was the last time I checked in. Whether it’s morphed into something else, I don’t know. But I think during a very difficult time, they’ve done not sensationally well, but okay, better than most.

So as far as the for-profit ed companies are concerned—

Lage: How did you happen to get into that business?

14-00:42:46 Blum: It’s not me directly. I don’t spend most of my time running our funds. There’s a couple of companies that I sort of live with. I like to grow companies. There’s a whole bunch of other ones that our other partners have invested in. If you gave me a pop quiz, I wouldn’t do very well. Although I look to see, as our guys start to invest in one thing or another. I asked them, when they wanted to start buying positions in these companies, I wanted to find out, one, whether there was any conflict of interest with what the university teaches; and they don’t. We don’t teach people to be chefs or nurses’ assistants. If they compete with anybody, it’s at the community college level. One of the reasons these schools have done as well as they have is because the community colleges, like everything else, are underfunded. What’s happened is that they have fallen under a fair amount of criticism because of their marketing practices.
Lage: These private—

14-00:44:22
Blum: Yes. We’re investors in two, ITT Educational Systems and Career Ed. The guy who we have on the board of Career Ed went in because the stock looked cheap and they’d had some problems. He is on the executive committee, the committee that deals with those issues. They were critical of Career Ed. But all the issues concerning Career Education were from 2005, and that was before we invested in the company. They’ve had very few problems since then. So all this idea that somehow there’s a conflict with the university, there just is none.

Lage: You see it as completely separate?

14-00:45:12
Blum: Well, no, look, I care a lot about this. It’s stuff I’ve cared about long before I met my wife: that is, we don’t invest in companies that we don’t think are in the public interest. We’ve never invested in tobacco, we have never invested in firearms, we will not invest in casinos, and we will not invest in anything that pollutes. I’ve felt that way for my entire existence. So frankly, when we invested in something that I thought was a decent industry and then all of a sudden there’s all this controversy, I worried about it. If it’s up to me, we won’t own them forever. But the idea that somehow it has anything to do with the university—. You can say, okay, it was a good idea or a bad idea. I’m not so sure how good an idea it was to invest in these things, because they were having public hearings so the stocks are going down, and my wife’s yelling at me. I said, “I think they call this lose-lose.” [Lage laughs]

It turns out one of the major owners of for-profit education companies is the Washington Post. The Kaplan schools are run by the Washington Post. Anyhow, it doesn’t have anything to do with UC. But that doesn’t mean that creative people won’t like to make up stories. So this idea that any regent is profiting because we have now insisted that we contribute to the benefit program, it’s only so people can collect their retirement. It’s all nonsense. But I’m glad you asked the question.

Lage: Yes, because it leaves a big question mark if we don’t ask the question.

14-00:47:16
Blum: Also, if you noticed, after making a fair amount of noise about it, it went away. Because I think when you make up that kind of sheer garbage, usually it has a fairly short shelf life.

If you want to know what inspired us, after a few years, to really make a foundation of what we do in the Himalayas—I think it’s fair to say that I do not know of another private foundation, started by climbers, trekkers, not just from this country but from any country, that has done anywhere near what we have done.
Lage: Okay, well, let me just say, because we just skipped from one subject to another, that we’re going to talk now more about your getting involved with global poverty, and specifically the American Himalayan Foundation.

Blum: Yes. We have, for close to thirty years, been of major assistance to the Tibetan refugees, working with the Dalai Lama and his people. We’ve done something like seventy-five different projects for Tibetan refugee camps, mainly in Nepal and some in India. We do some work, rather quietly, in Tibet. We’re also in Bhutan. The Dalai Lama asked us to do some work in Mongolia, because the Mongolians are kind of first cousins to the Tibetans. Our longest partner is the Himalayan Trust, which was started by Sir Edmund Hillary after he climbed the mountain. The Sherpas said to him, “Our children have eyes, but they cannot see. They are not being educated.” Ed was a partner, a friend. He was last on Everest with me in 1981, and we miss him every day. He passed away about three, four years ago. This June, it’s the fiftieth anniversary of the first school he started, in the village of Kumjung, up in the Everest area.

Lage: Did his work kind of inspire you to do the—

Blum: Well, mainly, we have paid for most of it over the last twenty-some-odd years.

Lage: Most of his foundation?

Blum: Yes.

Lage: I see.

Blum: We had started, even before we had the foundation, helping the kids who were children of Sherpas we knew. At some point, that struck me as being unfair because we weren’t doing it based on merit. So I had met Ed Hillary, and one time he was coming through San Francisco and I said, “Can you help us? We’ll continue with our commitment to these kids, but we would like you to help us, through your schools, pick the students who we should help.”

The first program was to provide housing for children who lived in other villages, where there weren’t any schools, so they could go to the schools in Kumjung and a few of these other places. It went from that to where I used to go sit down with Ed Hillary a couple times a year, going over his finances. At some point, I saw his budget was going down. He said, “Well, they don’t really need the money anymore.” I said, “Ed, that’s not really true.” He lived in New Zealand, and I think he was just tired of running around the globe with his tin cup out. I said, “From now on, you put together whatever budget you want, and whatever you don’t have the funds for, we’ll provide it.” We’ve been doing that for, I think, twenty-eight years now.
Lage: Now, when you say we, is this you—

14-00:51:55
Blum: This is the American Himalayan Foundation.

Lage: What’s the source of funding?

14-00:52:00
Blum: We have a board, we have a mailing list of 13,000, 14,000 people. I’m still the major contributor to the foundation. I probably contribute something like 35, 40 percent of the funding each year.

Lage: And the rest comes from your board and your private donors?

14-00:52:25
Blum: We have dinners. The Dalai Lama usually will attend an event for us every couple of years; we’ve had Ed Hillary several times; Al Gore several times; we had Richard Gere a year ago; and Lodi Gyari, the Dalai Lama’s special envoy. Jon Krakauer, who wrote *Into Thin Air*, is one of our directors, and he’s often very helpful. So we have one big dinner, and we have a team that is out trying to raise money.

Our fastest-growing program is something we never contemplated or even knew about the issue. That is saving young girls from being sold into prostitution. It is a terrible problem in a lot of these developing countries. In Nepal, it’s particularly bad. We now have had that program going for twelve years. We have 8,500 young women—girls, really—that are in school and safe. Once we get them into schools and families understand they’re an asset, not a liability, they’re safe. What we’re trying to do is double that number over the next two or three years. If we get to 17,000, 18,000—you’ll never eliminate prostitution totally in a place like Nepal, but you’ll eliminate most of it.

Lage: And is this just in Nepal, this focus?

14-00:53:58
Blum: Yes. Our focus on this program is just in Nepal.

Lage: Are there enough schools to accommodate this many girls?

14-00:54:08
Blum: Oh, yes. What happens in these lower castes, they don’t send their daughters to school. We don’t want to institutionalize the girls and put them all in some big dormitory, so we encourage them to stay at home. We enroll them in a school nearby and pay for their supplies, their uniforms, whatever the school requires.

Lage: Do you have to pay a stipend to the family?
Sometimes we do. I don’t think we do it much anymore. It’s terrible. They used to sell their daughters for twenty dollars. I said, “So give them twenty dollars and send them to school.” At the end of the day, families don’t really want to lose their children; certainly, mothers don’t. But they’re desperately poor and often, they’re from low castes, untouchables and so forth. It’s great to get together with these young girls. They will bring them in, bus them in from wherever, and we’ll have tea with them and they’ll have new saris on. You’ll hear stories about, my sister was sold but I’m going to be a social worker, or, I’m going to be a nurse, or, I’m going to be a teacher. I got a cute one about six months ago from one young woman who said, “I decided that I want to be a banker. I understand the chairman of the American Himalayan Foundation is a banker, so when I get up and running, I will offer him a job.” [laughter] Which I thought was a great idea.

That’s very nice. Now, are there opportunities for them when they finish school?

Oh, yes. Basically, we steer them towards places where there are jobs for them. It’s teachers, it’s social workers, it’s nurses.

It’s pretty comprehensive.

Yes. We will also send them on to college, if they want to go. We now have a string of them that have been going through this and are wanting to go on to college. That obviously gets more expensive, but I think we have, oh, I don’t know, 700, 800 young women in college.

Where would they be going to college?

It’s all in Nepal. I have a family that I’ve been close to for a long time. It’s a cute story. It’s really a nice story. My oldest Sherpa friend, a fellow by the name of Passang Kami, he’s since passed, but I’ve been godfather to his family for thirty years. When I met Passang Kami, the year before, he’d been working for the Indian Army as an assistant cook, at ten dollars a month. He was over in the United States in 1972. Some trekkers brought him over. First time he’d been out of the Himalayas. I said, “Well, P.K.,” which is what we called him, even his wife called him P.K. I said, “What does this mean to you?” He said, “Dick, I have five daughters. If they don’t receive an education and they don’t find husbands, they’ll spend the rest of their lives carrying loads up and down the mountains.” I said, “P.K., from today on, your daughters are my daughters. You get them into school and we’ll educate them.” No Sherpani, or female Sherpa, had ever been to high school.
So all five daughters went to high school. Three of them did some college in the United States. One of them went on to be a dentist, and she now runs the world’s highest dental clinic, up in the Everest area. Her name’s Nawang Doka, and she’s almost like a fifth daughter to us. She has two children, a son and a daughter. Her son is the same age as my oldest granddaughter, eighteen, and we just got him into a finishing high school in India. The kid’s brilliant. He’s never gotten a grade worse than an A. To give you some idea how good a school this is, 10 percent of their kids that graduated last year went to Harvard. I don’t know where he’s going to want to go to school, but the idea is that in two generations, you went from a grandfather who made ten dollars a month to a grandson who will go to a major university.

Lage: That is a great story. And it doesn’t take a whole lot to make that happen, it seems.

Blum: No. But I’ve been a major benefactor to the family all these years. It’s been great, because we do feel like a family. As His Holiness once said, “When it comes to this stuff, eventually the we and they goes away.” I’ve actually said the same thing to an Aspen Strategy Group, which is the top foreign affairs people. Madeleine Albright and Condi [Condoleezza] Rice were there, and Brent Scowcroft, and so forth. We were talking about Afghanistan, what do you got to do to win in Afghanistan. I’d been in Vietnam as an economic consultant for a few weeks, back in 1968. I said, “This is Vietnam all over again. The American people will never sit still for the loss of life and the expense to win in Afghanistan, and the Afghans know it.”

I said, “If you want to win, quit talking about quarterly reports and say you’re going to stay there for twenty years.” You get to know the villagers, you find safe areas to work with them. Doesn’t cost you a lot of money; hopefully, nobody gets killed or injured. That’s what you’ve got to do. If you look at what we have done in Nepal, you did have this Maoist revolt. It was a civil war that went on for seven years, and close to 20,000 people were killed. But in the two areas where we work the most, which is the Everest area, with the Sherpas, and in Mustang, the Maoists were repelled. Now, I’m not trying to say that they never got in there because of what we did; but because of what we did, it did make a difference. The people know that they didn’t have to be a bunch of out-there communists; that there was a way to advance and have a better life. And to a great extent, the Sherpas have succeeded. They’re probably the most successful group, economically, in the country.

Lage: You go too long and you get kind of worn down, both of us. Okay, this is tape fifteen, and we’re talking about Nepal. You mentioned the Dalai Lama, but we really haven’t talked about how you came to know him. I’m interested in your interest in Buddhism in general. So where should we go?
I got to know the Dalai Lama because even long before we started the
foundation in 1980, I was taken by Tibet and the cause of the Tibetans. I used
to give them modest amounts of money. I got to know the fellow who ran the
Tibetan refugee camp, Jawalakhel, which is right in Kathmandu. One day he
said to me, “Would you like to meet His Holiness?” I said, “Are you kidding?”
That was in 1970. I said, “Yes, can you arrange for it?” And he says, “Sure.”
It was either in ’70 or ’71, when he asked me. So in November of ’72, I went
to meet His Holiness.

Lage: Where did you go?

Blum: To Dharamshala, where I’m going in ten days. I actually have pictures of His
Holiness and me standing in the same place, in front of his house, thirty years
apart. I gave it to him and said, “Your Holiness, it’s thirty years and we’ve
just begun.” Well, next year at this time, it’ll be forty years, so we’ll have to
take another picture. I think I’m clearly one of his oldest friends over here. A
bit of irony is, we were both born in the same month of the same year, July,
1935.

Lage: Really?

Blum: Yes.

Lage: Can you tell me more about your relationship with him? Or how it’s affected
you, I guess is what I want to know.

Blum: Maybe it’s best to explain by a lecture he gave at Stanford a few months ago.
He said, “You can believe in one of the three faiths,” as they refer to them,
which is the Western religions, Judaism, Christianity and Islam. Easterners
differentiate between faith and religion. The Eastern beliefs are religions. The
Western religions are faith, based on unprovable facts—stories, if you will.

Lage: Did you say provable or unprovable?

Blum: Unprovable. We all know the miracles, whether it was Moses parting the Red
Sea or Jesus walking on water or Muhammad doing whatever he did. They’re
all nice stories; you can believe them, not believe them. “But,” he said, “you
can believe in a supreme being that is responsible for all the good things that
happen on earth; or, if you want to lead a happy life, you can commit yourself
to trying to help others. That’s what I call secularism. I’m a secularist.”

Then he went on further to say, “There is a lot of mythology connected with
Buddhism, particularly the concept of this mystical mountain called Mount
Meru. When I study science—” and he has a real interest in science—“and I
find there’s a difference between what science says happens and what
Buddhism says is the truth, I will always side with science. People say, ‘Well,
Your Holiness, should I become a Buddhist?’ Not necessary. Just stay with
your own tradition. If you like our ideas and our practice, then just incorporate
them into your life.”

What’s interesting is I remember, particularly when he was at UC Irvine a few
years ago—you think about it. Here’s this stadium, this gym filled with kids
going to hear a religious man telling them how to behave. When I had His
Holiness here, about two years ago, we had him at the Greek Theatre. There’s
8,000 seats. 1,000 of those kids, I am told, slept out overnight to get tickets to
go there. So he is the most popular religious leader in the world now. They
say when he shows up in Central Park, his draw is bigger than the pope’s.

Lage: Does he have an aura about him?

15-00:05:40
Blum: Not an aura, in that sense. First of all, he’s very informal. He’s got a good
sense of humor. He has an unusual, delightful way about him. He’s very warm.
I drove into the airport with him. He grabs your hand and he holds your hand
all the way to town. [chuckles] And I have been a confidant, in the sense that
my wife and I have been intermediaries, very unsuccessfully, between His
Holiness and the leadership, particularly in China, when Jiang Zemin was
party secretary. A lot of discussions, a lot of back and forth.

Lage: You spoke with the party secretary about it?

15-00:06:45
Blum: Oh, continuously, and still do talk to people around him.

Lage: What kind of discussions?

15-00:06:52
Blum: Well, some of them were pretty bombastic, because after Jiang Zemin became
party secretary in ’89, after Tiananmen, he asked us to come over, about a
year later. He said he wanted to talk about Tibet and human rights. So we get
over there—

Lage: So he initiated this.

15-00:07:22
Blum: Yes. We had known him because he was mayor of Shanghai when Dianne
was mayor of San Francisco. I’ve known Jiang Zemin since probably 1983.
He greets us and he said, “New job, but same old Jiang Zemin.” He speaks
some English. So we sit down with him at dinner and he starts with the
standard propaganda about Tibet. At which point, I kind of blew my fuse. I
had, six months before, met some Tibetan refugees, particularly a nun who
had been thrown in jail for wishing His Holiness long life. She was tortured in
the worst way, with beatings and cattle prods and all that sort of stuff, and then was just thrown out of jail. She, over a couple months, got out of Tibet. She wanted to go on tape to talk about what happened to her; couldn’t do it.

So they wanted money—there was about eight or nine of them—to go to Switzerland. They could get into Switzerland. I gave them the money. Several months later, I was in Zurich and I called the guy who was the Tibetan in charge. I said, “Where are they?” Particularly this one monk and this one nun. He says, “Oh, they’re nearby. Would you like to go have a meal with them?” I said, “Sure.” So we had dinner with them.

She had two bright cloth bracelets she had made in prison, for mental protection against the Chinese. My middle daughter Heidi had been with me when we met her there. She gave me these two bracelets. She says, “I don’t need them anymore. I want one of them for you and one of them for your daughter.” I had this bracelet on when I met with Jiang Zemin, and he goes through all the propaganda. I said, “Jiang Zemin, you see this bracelet? It was given to me by a Tibetan nun. She’s twenty-seven years old. She could’ve been your daughter, she could’ve been my daughter. I want to tell you what happened to her.” I ran through the whole thing, every little bit of, frankly, torture that they did to her. There were about a dozen people sitting at the table. It’s the only time in my life I got so mad that my hand was shaking and I couldn’t stop it. My wife thought, oh, my God, what’s going on here? But what’s interesting about it—
I later let him know when I was coming. I walk in to see the old man, he greets me like I’m his long-lost son. Sits me down and we talk for forty-five minutes about the Chinese economy. Then he said to me, “Oh, by the way, you can’t really be good friends unless you’ve had a real argument.” He had that kind of openness.

Hu Jintao is not like that. Whether he agreed with me or not, he heard what I had to say. I used to brief [President] Clinton before he’d go over to meet with the Chinese leadership, and we both used to tell him the same thing: “Look, if you and the Dalai Lama ever sat down in the same room, you’d probably like each other.” I think he was prepared, when Clinton went over there one time, to meet with the Dalai Lama, because he more or less said so in his impromptu press conference. I think the hardliners, [Premier] Li Peng and that crowd pulled back. Over fifty-two or -three years, the Dalai Lama has never met with the Chinese leadership. They say, “Oh, he’s welcome any time.” I said, “Well, fifty years, they’ve been trying to get a meeting. I know the leadership’s busy, but it sounds like a bit long to me.” I could go on talking about the Tibetan issue forever.

Lage: Do you think there’s anything to be said for the Chinese line on it?

15-00:13:36
Blum: No, it’s all total, 100 percent propaganda. Or to put it a little more bluntly, bullshit. I was given the first permit to ever take an American climbing team into Tibet, and we tried to climb Everest from a side that had never been tried before.

Lage: When was this?

15-00:14:06
Blum: This was in 1981. This is when Zhao Ziyang, who was the reformer, was still premier. He made the mistake of talking to the students at Tiananmen Square instead of running over them with tanks, and he spent the rest of his life under house arrest. I wondered at that time why, even knowing back then about my relationship with His Holiness, they would give me that permit. Then I began to understand, afterwards, that they did it because of it. He and his premier, a guy by the name of Hu Yaoban, who went to Tibet and apologized for the slaughter, were looking for ways to patch up the relationship. I’ve always believed that the worst thing that happened to Tibet was Tiananmen Square. Ever since then, there has been a hardline leadership. You can’t negotiate an agreement unless both sides want to negotiate one.

Lage: So there’s been a shift since then.

15-00:15:17
Blum: And I understand why the Chinese never want him back, because he is so enormously popular. You have six or seven million ethnic Tibetans there. The last thing they want is any kind of a power structure, other than the one they
have. So I think the more popular he’s gotten over here, the more fearful they are of him. And they’re right to be fearful. Even though the Dalai Lama, one, is not violent, has said, “We’re not seeking independence,” they just run that place with an iron fist. The last time I was there, I had people watching me. Not just one at a time; I mean several people. I walked around a corner, they were there.

Lage: I have two thoughts, to go in two directions. One is, have you studied Buddhism? Do you practice it?

Blum: Well, as His Holiness could tell you, I’m not particularly a good student. I have the main message. I try to live my life, to a great extent, by the idea that the religion is really about compassion and kindness and trying to help others. You could say, what’s your interest in global poverty all about? What’s the center all about? Why do you care about it? I guess it ties back to all that. Now, would I have gotten there without Buddhism? Maybe yes, maybe no.

Where I understand a fair amount about the traditions, I’m a long way from being a scholar, let’s put it that way. In fact, in some of these less than user-friendly lectures that he does give, when they go into a lot of this stuff, he’s always watching me because he knows sooner or later, I’ll fall asleep. Then somebody will wake me up and I’ll look at him and he’ll be laughing. The funny one was down at the amphitheatre down in Santa Clara. There must have been 5,000 people there. I was sitting in the middle of about row twenty-two, with our American Himalayan Foundation team. One of them—I guess it was Erica Stone—was sitting next to me and gave me the elbow, and she says, “You’ve been busted.” Because I was asleep. I opened my eyes and I’m looking at him. Here’s this whole big crowd and he’s just looking at me and laughing. [chuckles] That’s the kind of guy he is.

He rarely ever does it, but he’s asked me to go to Dharamsala for the anniversary, on March 10th, of the national uprising against the Chinese. It’s auspicious because they’re picking a new head of their government in exile, which is democratic. The Kalon Tripa, it’s known as. My good friend Lodi Gyari, who’s a special envoy, after doing this for twenty-five years, is stepping down, and His Holiness is giving up whatever functions he had in his state government. I didn’t even know he had any anymore. They must be ceremonial. I kept asking, “Well, tell me why I’ve got to be there.” Because he was just here; he’s going to be at UCLA on May first. They finally said, “Well, when we have one of these major get-togethers, we always have a distinguished foreign guest. And you’re it.” I said, “Oh, okay.” So now the Chinese, instead of accusing me of being part of the Dalai clique, they’re going to tell me I’m the chairman of the board of the Dalai clique.

Lage: [laughs] Right.
Blum: We’ve got investments all over that part of the world. I go, “Oh, okay. I’ll be there.” Whatever happens, happens.

Lage: I will enjoy hearing about that afterwards. We’ll just finish with this: you’ve mentioned climbing so many times. What was that climb like, from the Tibetan side of Everest?

Blum: Yes. It is a secret, as they say, between me and my laundry man. [laughter] Well, let me say it this way. There are two sides to the mountain in Tibet. One is the traditional way that the British—Mallory, Irvine—tried to climb, back in the early twenties. There was another British climber in the mid-thirties, and it’s the way the Chinese finally did climb Everest. That’s called the North Col Route. Then there was this other side that nobody had ever touched, called the Kangshung Face. So we had put together a world-class team of climbers.

Lage: What year was it?

Blum: 1981. And as I explained to the press quite often, I may be the expedition leader; these guys are world-class climbers. I’m really not one of them. They thought I was being modest; I was telling the truth. But I did some climbing with these guys. On each end of the rope, I would just follow somewhat obediently and not try to look down too much, and did what they suggested. We got over the worst part, which was to go over this rock buttress that was about 4,000 feet high, that stuck out from that side of the mountain. You could have more easily gone up these ice fields on each side, but they were avalanche zones and definitely you would get knocked off. So they got over this, and then a combination of bad weather and taking so long to do this, we didn’t get to the top in ’81.

Dianne and I had only been married the year before. Most of the team wanted to go back in ’83. As I like to say, my wife, in the interim period, got a Ph.D. in mountaineering tragedies. She said, “You are not going.” So I didn’t go.

There’s three ways to look at it. One, I could have gone. I might have made it to the summit. Two, I could have gone and not made it again. Or three, I could have gone and gotten killed. Anyhow, I’m happy. [laughs]

Lage: But did the team go in 1983?

Blum: Yes, they went and put six people on top in two consecutive days. To tell you how difficult that side of the mountain is, of all the people that climb Everest, nobody’s been back since ’83 to touch that side of the mountain.
Lage: That’s pretty impressive.

15-00:23:18

Blum: So even though I never made it to the summit—. And by the way, Ed Hillary came along to base camp. It was the last time he was on Everest. Our attitude was, okay, I could have gone up, and maybe still could go up the Hillary route, which they call the tourist route, where they have you roped all the way and you’re just another—not that I take anything away from the guys who with the help of Sherpas and a lot of fixed ropes, got to the summit of Everest. But what we did was, in a world of declining firsts, unique. When we walked across that glacier and touched the side of the mountain, we were all in tears because as far as we know, no human being had ever done that before.

Lage: Even as far as you went in ’81?

15-00:24:06

Blum: No, nobody had touched that side of the mountain.

Lage: I see.

15-00:24:10

Blum: We walked across this glacier and came to the mountain. We do know that Mallory saw it. Actually, there was a faded picture of it, from his 1922 Reconnaissance [Mount Everest: the Reconnaissance, 1921] book. To give you some idea how we tried to figure where we were going, I took his 1922 Reconnaissance book with us to figure out where we were going.

Lage: That first trip in ’81 must have helped them in ’83.

15-00:24:45

Blum: Well, yes.

Lage: Paved the way.

15-00:24:47

Blum: What they did is, this rock buttress, they actually left the ropes there. So what took us over a month to go up, they went up in a few days. They were crazy because they used the ropes that had been dangling in the wind for two years. Then they immediately went up and replaced them. To have done that was nuts, but they got away with it.

Lage: Did you go to base camp or anything on that trip?

15-00:25:20

Blum: No, I didn’t go. We’ll see what happens, but our plan is, we’re taking a few of us folks, now thirty years later. It’s the thirtieth anniversary in the fall, and we’re going to go walk into base camp. I said, “While we can still walk.” We’re just going to go to base camp. It’s a beautiful walk. One of my daughters, Heidi, was always wanting to go, even on the original expedition,
so she’s going to come with us, along with two or three guys from the original expedition.

Lage: Sounds great. So were you a pretty good mountaineer in your day?

15-00:26:05
Blum: I’m more of a yak.

Lage: A yak?

15-00:26:10
Blum: Which means that I can plod along, go all day, and I have a high tolerance for or a high ability to acclimatize. I have very little problem with altitude. A lot of Himalayan climbing is about dealing with the elements. Yes, you need to have climbing skills, but you wouldn’t ever find most of us trying to climb El Capitan. It’s a different thing. Some of them were very proficient, all-around climbers. Mine was more of getting there with struggling through ropes and what have you. I go there every year. I climbed a 19,000-foot peak last year.

Lage: Oh, you did?

15-00:27:19
Blum: Yes, but it was just high; there was nothing technical about it.

Lage: But 19,000. You are good with altitudes.

15-00:27:25
Blum: Yes, for somebody seventy-five years old, it’s not so bad.

Lage: No oxygen?

15-00:27:29
Blum: No. Never use oxygen.

Lage: That’s pretty good. Well, I think this might be a good place to stop today.

15-00:27:36
Blum: Okay. As we’re running out of oxygen here.

Lage: [laughs] Right.
Rubens: Quite a bit of time has elapsed since your last interview. In the meantime both Vic Geraci and Ann Lage, who each interviewed you five times, have retired from ROHO.

Blum: I guess they both got fed up with me, and that was it. I scared them both out of here.

Rubens: I don’t think that’s the story at all. They’re fine interviews and it’s an honor for me to bring your oral history to completion.

[Discussion about previous interviews and administrative changes at ROHO omitted]

I’ve particularly followed the development of the Blum Center; when it first opened, I thought our office should be involved in some way, for instance training students to do interviews.

Blum: What they do is they interview these kids. I don’t know whether they have it on tape or not, after they come back from—

Rubens: Exit interviews.

Blum: If you want to talk to pumped-up kids after they went and worked in the fields in Ecuador or Uganda or did whatever they did, these kids are pumped up. Many of them committed to, as they say, hey, I found my life’s work. Talk to Maryanne McCormick, the executive director of the Center. If you want to walk over with me when I get through, I’ll introduce you to her.

Rubens: I will say also, if you don’t mind me interjecting myself, my daughter is one of those pumped-up students. She worked with a team from the Center in Nairobi, cleaning up a river that runs through the city. This year she’s going back to her Peace Corps village, in Guinea, and hoping to bring some Darfur stoves that were developed through your program.

Blum: Really? Oh, good for her. We are just in the process of getting a million dollar-plus grant to go build those stoves in Ethiopia. The interesting thing is Darfur ranks among the top of all the depressing places. I have been to some of those places.
So you’ve been in Darfur?

I’m also a vice chairman of the Carter Center, so I went to Sudan with Carter. We were in Khartoum, and then we went down into what is now the newest capital in the world, in Southern Sudan, which is Juba. If you ever have the chance to go there, turn it down. It is a total shithole. Any rate, don’t go. I went out to Darfur, where you can just go and visit these camps. You can’t wander around or you’ll get killed. They were assembling these stoves. The problem is, we don’t have anywhere near enough of them.

So I went to Rajiv Shah, who is director of U.S. Agency for International Development [AID]. You should know this, by the way. Our Center for Innovation, which is part of this thing, is now being modeled at AID. It’s going to be at least $100 million, and it may be $200 million. Rajiv Shah, you might want to tune into this, is coming out here to announce it, sometime in the first week of October. Then I am going with him, and they’re going to announce it also in the White House. They have given us a fair amount of funding already. We’re on the shortlist for a big contract, which is really great, because the expensive part of our program—we’re trying to expand it, by the way, to all ten UC campuses. Our eleventh campus is Hebrew University in Jerusalem.

Was there some discussion of also taking the program to China?

Well, yes. We have some half-assed relationship with the Tsinghua. I went and spoke there, but it’s half-assed.

I interrupted you. You were saying the greatest cost—

Of our program is its innovation stuff. Developing the next cook stove or cell phone or whatever it is. To a great extent, a lot of this is now being covered by these grants from AID rolling out. Our teaching program that Ananya Roy and Bob Reich does, at the end of the day, it’s expensive. Not as much as the research and the metal-bending and all that stuff up there. All that is coming along quite well.

You have amazing people come to the Center. For instance, the Dalai Lama, who also attended one of your birthday parties.

I have known His Holiness—November 10 of this year, I will have known him forty years. Four-zero years. On November 10, he’s going to be in Japan. I said, “Where are you going to be?” I knew he was going to be in the United
States. He’s going to be here in late October. I’ll go see him a few days before so I don’t need to chase all the way to Tokyo for our reunion.

Rubens: I do have a lot more questions about that relationship. There are many threads to bring together from these interviews. Vic Geraci interviewed you about your background, education and business adventures up to around the mid-eighties. Ann Lage interviewed you specifically about your interface with the University of California; particularly your role as chairman of the Board of Regents. Since you literally just came from a meeting with President Yudof, I thought we’d talk a little bit more about the university, particularly your role on the financial committee.

Blum: You’re talking about investment committee or the finance committee? Well, there is a committee on finance. Obviously I cared about the financial operations of university. I purposefully stayed off the investment committee, because I didn’t want any potential conflicts with what we do, with what they do.

Rubens: You’re still on the finance committee.

Blum: Maybe. I don’t know. I never know what committees are on what—

Rubens: You’re also listed as sitting on the health services committee.

Blum: Which I care a lot about. Basically, when I stepped down as chairman, Mark Yudof said, “What title do you want next?” I said, “Godfather.” I was never a big fan of going to committee meetings anyway, even for the three years I was chairman. I never once went to a building grounds committee meeting. I’d hear about the issues. I didn’t want to hear people debate the head of a pin. The whole financial structure of the university, how you run it and so forth, is still a lot of what I’m interested in, because you’ve got to manage it better, you’ve got to run it better. In the good old days, you didn’t have to worry much about all that stuff. You sure as heck do now.

Rubens: Of course, there is such a precipitous decline of state money.

Blum: Yes. I don’t know whether you’ve seen the numbers, but with the exact same dollar amount, not even inflation-adjusted, that we had twenty-five years ago, which is what we get now, we’re teaching 78,000 more students. Which is mind-blowing. Of course, a lot of it is made up by increase in tuition, but not all of it. Not all of it is possible.
Rubens: There are so many directions I want to go. Did you help initiate Operation Excellence where they brought in Bain Capital to set it up?

Blum: No. I’ll tell you what happened and what didn’t happen. When we brought in Mark and brought the team there, Peter Taylor, Nathan Brostrom and Patrick Lenz, it’s so good when I listen to these guys, it makes me tearful. Particularly when you saw what was there before and how totally incompetent they were. In fairness, Bob Dynes wanted to change things. How does seventeen years at Bell Labs prepare you to run a $20 billion dollar institution? John Moores, who had been chairman, was from San Diego. thought Bob was doing a good job of chancellor. He basically steamrolled—I was just recently on the Board of Regents—Dynes into the job. John is a good guy, generous guy. Big-hearted, kind of loud Texan. But I love him dearly. He was the first one to say publicly, “I made a mistake and Dynes shouldn’t have the job.”

You had 2,000 people down in Oakland. They don’t teach anything in Oakland. They call it the Office of the President, but it’s a misnomer, because they run a lot of other things, from university press to HR. Frankly, you have the problem with this university that you have with big institutions everywhere. You have a bunch of silos. You could have two people sit almost next to each other, doing the same thing, who don’t even talk to each other or know about it. I’m a great believer in bringing everybody together, killing the silos, so if there’s a task at hand, you know who’s doing it. You don’t have three people in three different places doing that. By the way, you still have a lot of that. We’d like it to be one university, ten campuses, but it really isn’t. Some of it is, but most of it is more ten universities under one banner.

Rubens: Isn’t there some opposition to that direction, for instance Chancellor Birgeneau calling for a campus governing board with the capacity to raise money?

Blum: Nobody’s interested in Birgeneau’s proposal.

Rubens: You don’t think so?

Blum: Sure, there’s some alumni. First of all, it’s extremely elitist. At the same time, do you want to close down UC Merced? One time, there were fledgling campuses. You go back far enough, you had the southern campus, otherwise known as UCLA. You had the “Ag School,” which was Davis. Davis, in ten years, may easily be as big as Berkeley. And San Diego, which is now fifty years old. San Diego and Davis, and obviously UCLA, are really first-rate universities. If you didn’t have Berkeley and the system, it’s a great franchise to build this thing.
A lot of people thought Merced wasn’t a good idea. I went down there with the first lady, with Michelle Obama, who did the commencement address for the first four-year graduating class from Merced. Twenty-five percent of those kids’ parents were farmers. If you want to deal with the issue of the separation of wealth in this country, it starts with education. You want to say spin off Berkeley and the hell with the rest of them, what does that say about the rest of these 200,000, 70,000 kids who go to school at Berkeley?

What I said to Birgeneau at the time, who frankly wasn’t very cooperative, is, okay, we downsize Oakland. I think Mark has brought the 2,000 down to 1,400. It arguably should be a fair amount lower than that, but it’s a lot better than it was. We went to these campuses. We had brought Monitor in as a consulting group from Boston. We said to these campuses, “Look, you need to run the place more efficiently. These people are here to help you.” Underline help. We’re not here to tell you what to do. Most of the campuses didn’t have much of an interest in Monitor. The only one that was reasonably proactive was Irvine. Michael Drake had consultants come in because their health care medical school was evidently a mess. I forgot whoever they brought in, but they made it a lot better. The deal we had with Monitor was: we’re not interested in long reports. We’re interested in implementing results.

Rubens: And “we” is the regents?

Blum: Yes. Well, it’s just the guys running the place. However you want to define it. I think they give the regents too much credit. Maybe too much blame for things. You have no idea how often I hear, “The regents won’t let us do it.” I go, “Excuse me? You want to tell me about the issue? I never heard about the issue, and neither did anybody else.” You find people around the system who don’t want to do something will occasionally say, “Oh, the regents don’t want to do it.” It’s BS. There’s a bunch of lessons learned the hard way.

Rubens: Again, I derailed you. No one’s interested in Monitor except Drake? You didn’t want a report, you wanted—

Blum: The conclusion was that the least well-run campus—probably still is—is Berkeley. I’m not blaming that on Birgeneau. I think it’s been that way for a long time. It was sort of fat, certainly not dumb, and happy. It was well-funded. You had HR departments reporting HR departments. California Hall was totally resistant to any of this thing. I said some rather harsh things, like, “Your inefficiencies are, in part, causing the tuitions to go up. You’re making the kids pay for your inefficiencies.” Some of the stuff around here was so obvious.
Rubens: The purchasing, I know you pushed for centralizing that.

Blum: Yes, that started. The woman, Anne Broome, who retired [as Vice President of Finance], who started it under Dynes, and a group down there made her crazy. She made some progress. Then you brought in Katie Lapp, and Katie was quite good. I think she’s one of the top administrators at Harvard now. Katie was great. We were sorry to lose her. She’s from New York. She ran the transit system in New York. I figured if anybody could run that, they can run this place.

In any event, several years went by, and one of the things I’m okay with what Birgeneau wanted to do was differentiation in tuitions. I don’t see why the kids at Merced ought to pay the same tuition as the kids at Berkeley. First of all, Berkeley is more expensive to operate. It’s more expensive to live here. Your faculty gets paid more. It’s a better school. There was some discussion about raising tuition here by a thousand or two thousand dollars, and I said I was against it until they indicated to prove to us that this place was being run reasonably efficiently. I’m not against—

Rubens: Is that when the Bain Capital study came in?

Blum: Bain. Then he decided on his own, after we had calmed down, disappeared. Two, three years went by. Then he said, oh, he’s going to straighten this thing out. All of a sudden, he got the message and said, “We’re going to bring in Bain Capital.” I don’t know much about the Bain Capital report, other than they spent three—

Rubens: That was Operation Excellence.

Blum: Yes. We’re going to spend three million dollars. I was not on the committee. I’d had it with all that stuff. I could be wrong. I don’t know how much of that report has been implemented. I think they finally started working on some of it. I think there’s some consolidation with UCSF, where you do have a good chancellor, Hellmann, who is a manager and understands this stuff. She was COO of a major publicly owned company, Genentech.

Rubens: Do you have hope for the financial solvency of the university? Do you think it’s moving slowly, but moving in—

Blum: To tell you the truth, after so many years, as my good friend John Moores says, it wears you down. I’ve done this for ten years. I pay attention to it when somebody wants me to pay attention to it. It’s mainly at board meetings. I just
came from a chancellor search meeting. I’ve gotten past where I’m going to worry about how the HR function is going to—

16-00:22:22
Rubens: Sure. But you played such an important role. You pushed for an expansion of the debt ceiling.

16-00:22:31
Blum: This was Larry Hershman who had the silly rules that said he, allegedly in consultation with the governor, would decide what the cap-ex were on all these campuses. I don’t know who he was consulting with, but he wasn’t consulting with any governor that I could figure out. One day, I’m talking to—this is years ago—a good guy who was dean of the school of engineering, then he was a provost.

16-00:23:09
Rubens: Oh, Paul Gray.

16-00:23:10
Blum: Paul Gray, yes. I said, “Hey, Paul. What is the cap-ex for Berkeley?” He said, “Fifteen million dollars.” I said, “A month?” He said, “No, a year.” I said, “Excuse me, you can’t get your toilets fixed for fifteen million dollars. Will you come over to my office? I want a course called Berkeley Finance 101. Tell me about, financially, how this place works.” That’s probably when I first went on the Board of Regents ten years ago. The minute I became chairman, I said, “These caps are gone. You want to spend chancellor’s capital expenditure funds [about $50 million for Berkeley], you come to us. If we like it, and one, we want to know the building won’t fall down, and two, it’s financially not some huge strain, and we’ll approve what you want.”

You know who you might want to do an oral history with, she’d be less about Berkeley but about the UC system now that she’s retired, is Marye Anne Fox from San Diego. She’s not terribly well. She’s got early stage either MS or Parkinson’s. She and Mark Yudof are extremely good friends. She was very helpful when I wanted to hire Mark, because she had worked with Mark in Texas. She’s a smart lady.

So I said, “Cap-ex limits are gone.” I don’t know how many chancellors listen to me, how many didn’t, because around here, you never are quite sure how far messages carry. She called two days later. She said, “Because of you taking off the cap, we have just built”—I believe the number was 10,000—“units of housing for students, which we couldn’t have done before.” God forbid, if you had to have that limit over at UCSF, they’re spending over a billion dollars a year. Just the hospital, the neuroscience building, are probably a billion and a half or something like that. What struck me, as a private equity guy, been in finance all my life, is how you could really run an institution as badly as this. Some of the decisions are made—she said, “You were really brilliant.” I said, “No, you mean, they’re not doing it that way?”
There is one thing I am quite proud of. I did just recently get the UCSF Medal [2012]. They don’t give out honorary degrees. You could check this out, being an historian. I’ve gotten the Berkeley Medal [2009] and now the UCSF Medal. I am told—you tell me if it’s right, but they don’t know of anybody that has ever had both. Whether I can claim credit or not, I’m not sure.

Expanding the debt ceiling was a huge thing for the university. It led to a lot of construction, including the Blum Center.

Well, the Blum Center was okay because I was paying for it. By the way, I’m not sure if somebody, even back in the old days, said, “Okay, I’m going to pay for the goddamn building,” that you couldn’t have got it approved anyway. Basically, you never knew about the rules around here, what was adhered to and what wasn’t. It was highly restrictive. Literally. This place still has a lot of repair work.

Do you have on record the story about the Cal stadium?

No.

This is a big deal. I’ll tell you about two things that I was responsible for that made a huge difference. One at UCSF, and one is the stadium at Cal. As much as Saturday is the opening day. As you probably know, the Hayward Fault runs right through the bloody middle of the stadium. There was a report that had been around for some time, that basically said if you had an earthquake, that the whole west side of the stadium was on landfill and could go. People would say, “Yeah, but it’s a million to one.”

I said, “Well, let me tell you a story.” It’s a story about Candlestick and my wife being mayor. The head of public works comes in to Dianne’s office and said, “We’re concerned about the support of the upper deck of the stadium at Candlestick in case of an earthquake.” Same thing. Nobody’s ever there, the odds are a million to one, so forth and so on. She said, “Now that I know it, go fix it.” They said, “We don’t have any money.” She said, “Go find it.” They went and fixed the support to the upper deck of Candlestick.

Who would have guessed that, a year later, at the start of a World Series game, with that stadium packed, you would have the ’89 earthquake? The consensus was—and this is a story that has never really gotten around—that that upper deck might have collapsed and could have killed thousands of people. I hear about this report and I start hearing the million-to-one story again. I said, “Yeah, but it’s the one, and this is a stadium that could have 70,000 people in it.” Birgeneau was furious. He wanted to kill me. Well, because of what happened, he’s now extremely pleased.
Rubens: Sure, and he won’t be stepping down as chancellor until after the stadium opens.

Blum: What happened was this. I rallied a few regents with me and I said, “Look, I’ll make it simple for you. Fix the goddamn thing or I’m going to shut it down.” I said to Bob Dynes, who was waffling from here to there on the thing, “Bob, tell you what. We know what the problem is. We’re either civilly liable, maybe criminally liable, but it will be okay, because you and I can hold hands when we jump off the Golden Gate Bridge if this thing ever goes.” They said, “Wait a minute, we can fix it.”

Well, we figured something out. They came in to a big regents’ meeting, some earthquake specialists, some lawyers. They said if we put some of the seats on sliders, seats under the two scoreboards, that we think it’s going to be okay while we figure out something else. I said okay. Meanwhile, one of these guys, who was a seat marketing guru from Chicago—I don’t know whether the 49ers were using the same guy or somebody like this—came out and started talking to Nathan Brostrom. By the way, Nathan, through all this stuff, anything I’ve ever had to do with Berkeley or UC or the stadium, Nathan, on a scale of one to ten, has always been a ten. He started working with him and he started working with Sandy Barbour and talking to Jeff Tedford and so forth. They said, “We think we can sell enough seats and do enough bond financing to fix this thing.” Two years and $350 million later, you have the best, I think, in some ways. Have you been through the—

Rubens: I hope to do it on Saturday, at the opening game.

Blum: You can go any time to the athletic training center, which is not for football. It’s co-ed. They’ve got a weight room that is almost as long as the football field. It’s high-tech. I think it’s a bit over the top. The old stadium, if you saw where the visiting teams had to change, it was kind of like the Coliseum before the gladiators—before they fed you to the lions.

Rubens: Was it your idea also to bring in the marketing person?

Blum: We had to do something. At the same time all of this was going on, Nathan started talking to these guys. I sat in a couple meetings. If I had much to do with it, no. It was Nathan, it was Sandy Barbour, it was whoever else.

Rubens: But you basically—
Blum: Basically said, “Fix it or we’re going to shut it down.” Of course, last year, they played at AT&T Park.

Rubens: They have a lot of money to raise, don’t they?

Blum: They owe a lot of money. After I’m long gone, they still will.

Rubens: There are claims that the financing was hare-brained; that students will ultimately have to pay higher tuition so defray costs. But it’s not a scandal? It’s just part of the whole—

Blum: They haven’t sold—I don’t know what the numbers are. These guys that do this stuff are always, by birth, optimistic. They haven’t sold as many seats as they can. I think the fact that when alumni come over and see the facilities, and god forbid they win a decent number of football games, it will happen. But there is not, as far as I know, a shortfall issue. It’s just a question, okay, how do you roll this debt over, fund it long-term, pay this stuff down? At the end of the day, I will say this. Stanford redid their stadium for about a hundred million dollars. They never missed a game, and it ain’t one-tenth as good as the Cal stadium. I’ve been to Stanford stadium twice. We’ll put them to shame now. All we’ve got to do is have them win the Big Game up here.

Rubens: You were going to mention a second accomplishment you’re proud of.

Blum: The second one has to do with the building of the new hospital at UCSF. There is the Mount Zion facility, which, by the way, I was born in. That tells you—and it was new then—how old that hospital is. So it has earthquake issues, too. There are seventy-five beds that they were going to rehab, and that would cost about two million a bed. Two million in an old facility? That’s about a hundred and fifty million dollars. They were going to do it on a facility where they never wanted patients in the first place. I said, “This is crazy. Why are you doing this?” Well, earthquakes. We’ve got to get it done or have beds someplace else in the next three years. We’ll never get a new hospital up by then. They hadn’t even really started.

Mike Bishop was still chancellor over there. You can’t change the date on when you’ve got to have the new beds available. I said, “Maybe you’ve got to go out and rent a facility, but this is crazy to spend a hundred and fifty million dollars to fix up a place where you don’t want anybody in the first place.” But they were going to start to do this. So I called Susan Kennedy. Susan is an old friend. She had worked for Dianne at one time.
She was Arnold Schwarzenegger’s chief of staff.

Yes. She basically ran the place. Arnold was busy doing whatever Arnold was doing. I said, “Susan, what’s the ability to change the dates under which that hospital has got to be fixed?” She said, “When do you want it done by?” I said, “I don’t know.” She said, “Is next week okay? How many years you want it kicking out for?” I said, “As much as you can. Can you kick it out for a couple of years?” “No problem.”

Two weeks later, three weeks later, she kicked the debt line out two, three years. Now I went back to Mike Bishop, and I said, “Mike, you don’t need to fix this place up. Take this hundred and fifty million dollars, or some part of it, and get the god-blessed new hospital going.” “Well, I need money for it.” I said, “Mike, it’s like the movie. Build it, and they will come. You’re not going to get any commitments, serious commitments, to this thing unless you get started.” So they figured out, if you spent forty million dollars, you can design the whole goddamn thing. You would be telling the world you were going to build this thing. Mike said okay. They spent the forty million dollars. They designed the thing. They started going out, trying to find guys like—

Gerson Bakar was one of them, wasn’t he?

Gerson helped there, but no, the major contributors to that are Mark Bennyhoff and—oh, the guy from—. Gerson’s an old friend. Don’t misunderstand me. He’s been very generous, but he isn’t one of the major contributors to the hospital. By the way, it’s entirely possible that maybe that’s changed and I don’t know about it.

But you’re thinking of somebody else.

Chuck Feeney. Between Feeney and Bennyhoff, they each wrote checks of well over a hundred million dollars. I forget. Sue Hellmann told me what it is, but I think they’ve raised something like three hundred, maybe close to four hundred million dollars in equity. They borrowed the rest. To get it all done, completed, they’re another hundred million or so short. Considering what they had to do and where they are, I think they’ve done a very good job. By the way, whatever my lack of enthusiasm is for the way this place has been run, I cannot tell you what a good job Sue Hellmann has done.

But this starts with a phone call to someone you know, who can pull strings. You first have the clarity of vision, to think long term.
I said, “This is stupid, that you’d spend a hundred fifty million.” Fortunately, I knew Susan Kennedy. I said, “Susan, can you change anything?” You had Larry Hershman saying you can’t change it. Larry Hershman was a guy who had way too much collateral around here. Dynes never paid attention to anything that had to do with finance.

The other building that I had a lot to do with was the Helios building here. This is how crazy this place gets. Bob Dynes, physicist. Steven Chu, Nobel Prize winner. He wants to build this Helios building, because he wants a lot of it dedicated to alternative energy. Dynes, as a physicist, doesn’t have any objections to the concept, as far as I know, but he’s got a bunch of guys running around him, including the guy that was trying to kill the thing, and then we had him fired and he went off to Singapore. You can ask some guy, like Nathan Brostrom, “Who’s the CFO that went to Singapore?” A lot of people around here can tell you what his name is. This is, like, ten years ago.

To take a step back further, if you said to me, what is one of the assignments that I gave myself once I got involved in this thing, was to find out where the brilliant people were in this system that were battling the bureaucracy and try to help them. Steven Chu was obviously high on the list. These guys down there wanted to block the financing of the thing. Went through the battle. I took out my AK-47. Steven Chu is no shrinking violet.

Wasn’t this the BP windfall?

Well, let me tell you. I’m getting to the BP grant. One day, Steven calls me. It’s before he went to Energy. He was on a plane, as I recall. He said, “I’m in the airport, going to New Zealand. I want to thank you.” I said, “What for?” He said, “BP.” “BP? What the hell did I have to do with BP?” He said, “Don’t you get it? If that Helios building wasn’t about to get built, we never would have gotten that six hundred million dollar BP contract.”

The point of all this is just saying that, because of inaction and because of bureaucracies and because people don’t look out for this stuff, this wonderful institution, which is still as good as it gets, winds up missing opportunities. It does stupid things. So you have to say to yourself, congratulations. By the way, I guarantee you, if Mark Yudof had been president, then I would never have had to do that. Steven and I would have sat down with Mark who would have said: “Of course this building is going ahead. Goodbye. Go get it done.” But that’s what happens when you don’t have strong people that know what they’re doing.

There are other people like this who are superstars, like Laura Esserman, who runs the breast cancer unit at UCSF. Unfortunately, our family is long in breast cancer. My father died of it when I was ten years old. He was forty-nine.
My mother had it in her thirties and into her eighties. One of my daughters—she’s fine—has had it. Matter of fact, it is a common genetic trait from Ashkenazi Jews from around Alsace, Germany, Switzerland, and our whole family comes from there. They have never been able to prove that I’m a gene carrier, but I’m convinced that I have to be. I just don’t think they’ve learned enough about genetic testing.

Laura has a whole new view of how you should treat breast cancer. One, she will tell you that half the women that get chemo don’t need it. Then the question is, how do you find out which half shouldn’t get it? Not all breast cancer is fatal. By the way, if you or any of your friends ever need to see her, I’d be happy to—she’s hard to get to see. If you ever want to go see her—

Rubens: Thank you. This is good to know. But you were saying people who can get things done.

Blum: A lot of these people wind up being buddies. Laura makes guys like Steven Chu look laid back. I keep saying, “Laura, life is a marathon. It’s not a sprint.” To get her money she wanted for her research, she went and talked Safeway into giving her sixteen million dollars recently. She has a thing called I-SPY, and what it’s doing is it’s monitoring—I guess they’re up to several thousand women who had breast cancer, something like on a quarterly basis. Because her view is, to put it in layman’s terms, at the end of the day, the way they treat breast cancer now is, of course, sort of the ready-made department, and in the end, it will be tailor-made. They will hopefully be able, because of your genetic traits, to know if you’re going to get breast cancer again or is it going to go someplace else? Where is it likely to be? What do you do to head it off? What are the maybe precancerous signs. It makes people crazy, because she says most of the mammograms are a total waste of time in terms of catching anything that matters. You can just imagine. People wanted to kill her a few years ago. Increasingly, I know, the conversation has come around to, well, yeah, maybe she knows what she’s talking about.

The same thing, the other building that I fought the bureaucracy to get done and committed a million dollars to it myself is the neuroscience building at UCSF. There’s a guy by the name of Stan Prusiner, another Nobel Prize winner. Stan discovered something called a prion, that he thought was the basic cause for a lot of these autoimmune diseases that he said are all related, all the way from Alzheimer’s to MS to Lou Gehrig’s, et cetera. There may even be almost an allergy component to it. They made fun of him for years until, in 1997—he and Steven Chu got their Nobel Prize at the same time—they gave a Nobel Prize because of the prion. Now, just recently—these things take forever—there is now a consensus that Prusiner has been right the whole time, and that these diseases are all related.
You have somebody like poor Warren Hellman’s wife, Chris. Chris doesn’t even know Warren’s gone, she has Alzheimer’s so badly. As we have an aging population, you see more of it. When I can’t remember your name tomorrow, I’ll go, “Oh, shit.” They say, by the way, your ability to recall names is one of the first things to go, but that doesn’t mean you have a sign of anything other than you’re not twenty-one anymore.

It’s also like they’re stuck in the back of your head and you just can’t bring them forward. They’re there, you can almost reach them.

By the way, that’s what happens to me a lot of times. They’ll say, “Well, you do remember what the capital of Gabon is?” I go, “Sure. Uh.” And then five minutes later, I’ll remember.

Now, if you look at the ratings of the top hospitals in the world, it’s one thing. You’ll see UCLA’s med center, which they don’t like to talk about, is number three, and UCSF is number five. Nobody wants to talk about that. The truth of the matter is when you’re talking about the top ten—what’s the one down in Houston? Anderson Clinic. You look at the top fifteen, twenty specialties, and they rank the specialists. When you look at neuroscience, overwhelmingly, number one in the world is UCSF.

These guys have had crappy quarters on Parnassus for years. Have wanted this neuroscience building down at Mission Bay. Stan Prusiner gets something like seven to eight million dollars a year in NIH grants. His partner, Steve Hauser—you don’t find nicer; Steve is one of the sweetest guys that ever lived. He’s probably the leading expert on MS. Stan is all about research. Steve both is research and sees patients. They wanted this new building. Which, by the way, is now up and built.

Some of this stuff, I’m getting secondhand. I learned a couple of things. One, to the extent you can have these buildings donor-developed, you can save 25, 30 percent. My building is donor-developed. It was going to cost twenty-two, twenty-three million. It cost eighteen. Now, in fairness, I made the contract in the first quarter ’09, when they had just been through this economic collapse. I’m sure we got a better price because of that. What you had was, when we started some of this donor-developed stuff, you started scaring people who were part of the process. I was told this by one of the executives at UCSF. Can’t document it myself, but I believe it, that you had a bunch of process people over at UCSF who didn’t want the neuroscience building to go up because it was going to be donor-developed, which it was.

They don’t want it because?
Because if you started doing these things donor-developed, these people were going to lose their jobs. So they padded the neuroscience proposal. This person, who will go unnamed, called me and said, “Dick, let me come down and take you through this thing. They have just made this thing look ridiculously expensive.” By the way, it’s not only donor-developed, it’s donor-built and going to be leased back to the university. It’s nonsense.

This guy and I and Mark Yudof sat down. I said, “Mark, they’re going to pay you the lease payments on this thing. It is going to be fourteen thousand dollars a month, so why do they have down twenty-one thousand?” It was stuff like that. I basically said, “At the end of the day, what is the neuroscience thing all about? It’s the study and the understanding of the brain.” In fact, I said, “You ought to have a little room over the side of the entrance with a sort of video that you can press the button that runs for fifteen minutes to talk about what it does.” When they finally started this building, they had an afternoon lecture. I said, “My belief in you guys has been based more on faith than on knowledge. Okay, now I know about the value of this work.” I committed a million dollars to it, as chairman of the Board of Regents, saying, “Look, this is something. It’s not what I’m normally interested in, but I think it’s really important, and it lets you know how much I believe in these guys.” Putting my money where my mouth is. So, hey, it got done.

Now, this is a funny story. Stan Prusiner, who’s a bit of a character, said, “We need to name something for you in your honor.” I said, “I don’t want anything.” He said, “No, we’ve got to do something.” I said, “Okay, name a urinal after me.” Well, Stan is a bad guy to say things like that to. I don’t know much about early twentieth-century modern art. Do you know about this?

Rubens: Well, I know about Marcel Duchamp’s urinal, I think it’s part of SFMOMA’s permanent collection.

Blum: Everybody knows about this urinal except me. At any rate, what I heard is Stan got some guy sketching this thing out and was going to make a replica of it and put it in the goddamn lobby with my name on it. So I said, “Stan, do you want the rest of the million dollars?” I’m not convinced he stopped.

Rubens: A drawing would be better than a replica.

Blum: I thought it was funny. If they did it, I wouldn’t care. I told my wife about it, and she said, “This will be broadly misinterpreted. You better stop the thing.” Didn’t like the idea at all. It reminds me, I’ve got to call Stan. Any rate, interesting part of the history. But these are kind of one-off stories about how somebody with a little bit of skill in these areas, being a regent or in some
kind of authority, can make a difference. So you’ve got a neuroscience building, you’ve got a hospital going up because of this. You’ve got a stadium fixed. And you’ve got a six hundred million dollar contract from BP that you wouldn’t have got that building otherwise. God knows what else, but also ten thousand units of housing in San Diego. As they say in Spanish, “pagar”, you’ve got to put up around here.

16-00:58:52
Rubens: I’d like to end this tape with asking you, do you have a strong feeling about who the next chancellor of Berkeley should be? I imagine he’s got to be a supporter of Yudof as opposed to someone who wants these separate governing boards.

16-00:59:13
Blum: Let me summarize. Nobody’s interested in that thing. There isn’t even half a vote for it on the regents. I frankly think it was insulting to Mark Yudof. I think it was callous, that it was elitist, and for him to do that on his way out the door, when he knows damn well this place isn’t well-run. Other than that, I think he’s terrific.

I’ll say this for Bob Birgeneau. When I started my center, I started the discussion with him. As a cheerleader all along, he was terrific. Never mind he was supposed to raise ten million dollars for the center and has never raised a cent. We have worked out a satisfactory agreement. I sat down with Bob and said, “Look, I feel badly. You were the one that, when I came up with this idea, thought it was a great idea, helped promote it, and then you guys haven’t done anything about living up to your part of the bargain. I kind of hate to see it sort of end this way.” He said, “Well, so do I.”

We have worked out nothing like the amount of money we’re talking about, but funding going forward for a few years, which I could say, okay, I now know how we can finance this thing going forward. I’ve got, all in, what I put in and committed to this thing, over thirty million dollars. I said, “Look, I’ve done well in life, but my name is not Gates.” Shankar Sastry and I worked it out with him. It’s okay.

The point is this. I see the issue of who’s the next chancellor, if you can find somebody with a proven track record running a substantial institution like this, then you ought to, as an outside candidate. You find the president of Columbia or Michigan State or Texas, whatever, that knows how to deal with what I find a very difficult to manage in fairness to everybody, then you ought to take a hard look at it. The downside of bringing somebody in from the outside is this place is so bloody complicated. Squirrelly, frankly. It will take him a year to figure out where—because people don’t always level with you, as you know.
This was fun.

Good. I’m so glad. I’ll be pretty honorable about not keeping you too long. I know you have an appointment at the Blum Center.

No, no, it’s all right. I wanted to see Shankar Sastry, our director. He’s back in Washington, so I’m not going to see him today anyway. I’m just going to drop by to see Maryanne. I’ll show you the building.

There’s a funny story about that, too. When they built the building, I wanted to tear the old building down. They wouldn’t let me do it, and you know what? They were right. Art Gensler did a great job. A lot of these buildings around here are nice, but this is an interesting place. I wanted the new wing to look like temples in downtown Kathmandu. If you’ve got a really good imagination, you can get sort of halfway there. But the way they’ve connected the two—we have received a couple of awards for historic preservation. When I went to receive one of them, he said, “Don’t get up and tell them that you wanted to tear the goddamn thing down.” No, no, no. This is one case where I didn’t get my way, and thank goodness.

You were saying the one thing you’re adamant about vis-à-vis the new chancellor.

You’ve got to have somebody that knows, one, how to run an institution like this if you’re going to hire somebody from the outside. I don’t think you can take the dean of the school of whatever out of some major institution and bring him in here as chancellor. It’s too big of a gamble. I’m sure there are people who will rise to the job, but it will take somebody from the outside, I think, a year to figure out how to deal with all the nuances around here. Then you come down to, okay, if you can’t find that person, then where—I was adamant about Yudof’s job, somebody from the outside. I am not adamant about finding somebody who’s one of the deans or former deans that really understand this place.

What about someone who is in the sciences versus business or law?

My view of that, and it’s a mild one, is that, with Bob Dynes, if you weren’t a physicist, you didn’t get the job. Where this is a great research university and a lot of it is about that, but in some ways, you really need people worrying about literature and poetry and anthropology and all the—
Rubens: Poverty.

Blum: Well, okay, poverty. What we’re doing is we have these basic courses taught by Bob Reich and Ananya Roy, who are both—we’re lucky you’ve got two of the world’s best lecturers doing it. Over a thousand kids signed up for her course; Wheeler Auditorium seats 740.

Rubens: Isn’t the program the largest minor on the campus?

Blum: Oh, yes, by far. They never had a minor like it. By the way, the idea of making it a minor was brilliant. If I were here today and they said, “You’ve got a choice. You can major in business or you can major in global poverty,” I would have said, “Okay, I’m going to major in business.” But if somebody said to me, “You can major in business and minor in global poverty,” I would have said, “Done.” What you have now is kids from over fifty different majors minoring in global poverty. They get exposed to it. Maybe it’s their life work, or maybe they just learn about it, or maybe, thirty years later, they say, “Yeah, I spent two months in Kenya twenty years ago. I’d like to go back to either being on a board or helping or going to work there.” These kids eat it up, because you can’t find a kid on this campus that doesn’t care about poverty or the environment. When we get older, we’re supposed to be cranky and say the younger generation isn’t good. You know what? Fritz Mondale is my oldest friend in politics. Fritz says, “We’ve got to count on this generation to correct all the mistakes we made.”

Rubens: Let me ask you two quick things. You don’t have such a strong feeling whether the chancellor should not be science or—

Blum: I didn’t finish the thought. I think if you get the right person. If you found a brilliant physicist. Frankly, if you could get a guy like Steven Chu to come back and be chancellor, that would be wonderful. I’m sure he doesn’t want to do that. A lot of it’s the who. If you had somebody like him, it would take me twelve seconds to say yes. Other, being equal, I would rather—even today, if you look around, most of the chancellors are still physical sciences, one way or the other. One of the guys I mentioned that would be a good candidate, because he has no interest in the job, would be a guy like Rich Lyons, from the business school. The obvious names that get kicked around here are Chris Edley, Shankar Sastry, Laura Tyson. They’re all good friends of mine. I have said to Mark, “If you want to go there, keep me out of the discussion, because I’m too friendly with all of them. You make the decision.”
Rubens: Bloomberg brought in a woman from business—I forget where she came from—to run the Department of Education in New York City, but she didn’t work out. But Berkeley is bringing in new administrators with a business background.

Blum: The difference is, to run the Department of Education, which is K through 12, you don’t need to have any particular academic, where here you have to. Look. One who I also know she’s not interested in it, who I think could actually be a very good chancellor, is Jennifer Granholm. She was governor of Michigan. She is teaching here. By the way, I’ve got part of our faculty working part-time for Current TV, Al Gore’s television network, which I basically was responsible for funding. Jennifer has her program. If you’ve got Comcast, it’s channel 107. It’s called The War Room. Jennifer is part of the Goldman school. Here’s somebody who was—

Rubens: She’s not interested or qualified by Berkeley’s requirements?

Blum: She was a really good governor of Michigan. I would love to have her as a candidate. Well, two things. One, she has no interest, and two, the Academic Senate wouldn’t—because she’s not ever been a professor of anything. That’s your downside. There’s a guy who’s now CEO of Delta Airlines, Richard Anderson. Very good guy. I can bring up Jennifer Granholm because, one, she has no interest, and two, you couldn’t get her by the Academic Senate. Basically, Rich Daley, when he became mayor of Chicago, after a couple years, took his chief administrative officer and said, “The school system is a mess. I’m going to make you in charge of the Chicago school system.” This guy did a great job of cleaning up. He was a manager. Maybe he went to college. Who knows. But K through 12 is a whole different story.

Rubens: I’d like to ask you to give me some background for a few stories in your previous interviews. How did you meet Walter Mondale? You mentioned being an advisor to him.

Blum: No. I met Fritz Mondale—a friend of mine by the name of Howard Nemerovski, he’s a retired lawyer; was a White House fellow for Lyndon Johnson. In fact, his old buddy is funding part of this oral history, who is John De Luca. They were buddies forever. For some reason, they don’t talk anymore. Nemo, for many years, after he left the White House, came out here, was a total political junkie. One time, he said, “You’ve got to meet this junior senator from Minnesota. He’s in the mold of Hubert Humphrey.” He was like Hubert Humphrey’s next guy. Those—
Rubens: So he introduced you because he—

Blum: Yes. He came out here, and I actually put together the first fundraiser outside of Minnesota for Mondale for President, about 1974.

Rubens: That’s when you met him?

Blum: I had met him a year or so before. Carter won the nomination, but then Carter turns around and asks Mondale to be his running mate. Mondale said, “Hey, Dick, come on down on the plane with Carter. I want to talk to you about working in the White House.” At this time, I had just gone through a divorce. I had three little daughters. I said, “If I go back there and take that job, just as this time when everybody is quite volatile, what’s going on, I know what happens. I’ll never see them.” So I said no.

Rubens: What would you have been doing for them?

Blum: We never went too much into that. At some point, they asked me if I wanted to be ambassador of Nepal. I said, “That’s even further away than Washington.” We were going to work something out. My main interest was urban strategies back then. I said to Fritz, who had that in his portfolio, “I’ll tell you what I’ll do. I will give you a week a month for a year, pro bono.” So that’s what I did. It never—because I wasn’t there full time, and was doing it for a year. We got things like UDAG, an Urban Development Action Grant. The good news/bad news was Reagan continued giving them out, but he gave them all to political supporters.

Rubens: So Mondale figures in your life and puts you into a national political arena. At some point Carter goes with you to Nepal.

Blum: That’s a whole different story. That has to do with, the Carters were friendly with Shirley Hufstedler, who was Carter’s first secretary of education. Shirley is now a judge in L.A. Maybe she’s retired. Shirley and her husband, Seth, liked to go trekking in Nepal. She’s talking to Rosalynn about it. “Hey, when you get out of here, you ought to do this, and the guy that ought to take you is Dick Blum.” It was the cutest story. So I see Carter at some event. He’s a year, couple years out of office. Somebody says something about going to Nepal. He said, “Yeah, sounds interesting. I may give you a call one of these days.”

Now, you hear all sorts of things from politicians at big dinners or events. Did I ever expect to hear from him? Of course not. Then a few months later, I get this phone call. My secretary says, “President Carter is on the line and would
like to talk to you.” It was the cutest thing. I get on the phone. He says, “Hi, Dick, this is Jimmy and Rosalynn. Would you mind telling us for a few minutes about trekking in Nepal?” I went into it. I said, “I’ve got a better idea.” He says, “What’s that?” I said, “I’ll take you.” So that’s what we did. It was from that, and knowing my interest in global poverty, and my work with the American Himalayan Foundation, at some point, he said, “Would you like to be on the board of the Carter Center?” One thing led to another. Not everybody loves Jimmy Carter.

Rubens: I shook hands with him at the 1984 Democratic Party Convention here in San Francisco.

Blum: He used to come through here raising money for the Carter Center. The problem is, then he wrote this book, *Peace or Apartheid*, which did not exactly help him with his Jewish fan base. The irony is, coincidentally, we had three regents on the board of the Carter Center: John Moores, who was chairman for a while, then resigned. I got Sherry Lansing on the board, because Sherry would do fundraisers for them in L.A., and myself. Sherry and I are still regents, so it’s sort of interesting. Three of the four last chairmen of the board—talk about serendipitous—of UC have all been on the board of the Carter Center.

So when that book was written—the problem with Carter, who will be eighty-eight, October one. He never used to forget anything. He now gets a little long in the tooth. He got Camp David and Taba mixed up. I’m on the board of the Clinton Foundation as well, and these guys barely talk to each other. Mack McLarty [Clinton’s old friend and chief of staff] and I tried to be peacemakers, and we struck out. That’s a whole other story. It has nothing to do with UC. Sherry’s Jewish community wanted her to resign from the board of the Carter Center. [Some thought I should resign.] I told Carter that you’re entitled to your own opinion, but you’re not entitled to your own facts. And you got the facts mixed up. Because he basically—

Rubens: Nobody fact-checked him or found it?

Blum: It is unbelievable to me that they didn’t fact-check that book and find out that there were obvious errors that any number of people could have told him was wrong. They just printed the goddamn thing. Anyhow, bottom line is, I said, look—. People ask me. I said, “I love Jimmy Carter. We’ve been friends for all these years. He’s wrong on his facts, he’s wrong on his conclusions, but I love him anyway. I don’t walk away from friends. End of story.”
Rubens: I have a copy of an autobiography dated January ’99. *Out of Business Experiences*. Did you do write this yourself or did you work with Richard Rapaport? He had written an essay on the Himalayan Foundation that was not published that was in some of the material you gave me.

Blum: He basically wrote it. Since then, you should know what’s happened. A guy named Richard Paddock, who was with the *L.A. Times* for years, has taken that and worked with me; expanded it. You’re welcome to look at this thing. I haven’t even read the whole goddamn thing myself. A lot of people came to me and said, “Hey, Dick, you ought to write a book.” I said, “Look, I don’t even have time to read one, let alone write one.” “You’ve got a lot of these stories.” A lot of them are battles I had with Jiang Zemin over the Tibetan issue, and all this kind of stuff. I said, “Look, I don’t have that kind of ego.” What is more, I said, “If the moral of the story is to inspire kids to say, hey, look, this all started with a bunch of scruffy climbers with a dream and no money, the American Himalayan Foundation”—because I spoke to a bunch of kids, the American Himalayan Foundation had never talked to our center over here, so they asked us. Tenzig Norgay, Erica Stone and myself. I sat in the audience. Somebody said to me at the end, “Dick, do you have any comments?” I said, “Yes. Number one, we’re guys who had an idea. We didn’t have a nickel. It’s taken a long time, but look what we’ve created, from that to this to Brookings and so forth. You can do it, too. You can do it, too.” That’s the purpose of the book.

I need to go through and proofread this whole goddamn thing, because it’s full of holes. He has gone and talked to Carter, he’s talked to Mondale, he’s talked to all kinds of people. He’s talked to members of the family. I just need to find the time, and I don’t know when the hell I’m going to do it, to go through and correct it. I’ve gone through two or three chapters.

By the way, I’d love you to read it and tell me what you think. I’ve got guys like Jon Krakauer and others who are willing to read it and tell me what to do with it, but I said, “I’m not going to ask you to read it when I haven’t gone through it.” The one who has read it is Erica Stone, head of the American Himalayan Foundation, who is not a fan of the project or Rich Paddock. My initial comment is, it’s not as inspirational as I need to make it, but you can put inspirational quotes in there from—

Rubens: I liked that you had profiles of people you’ve worked with who exhibit values you admire or whose work is inspirational.

Blum: You know what? I find, looking at this thing and reading about myself—
Rubens: It’s hard.

Blum: Really hard. Okay, so it’s not just me. If I think it’s boring, what are others going to think?

Rubens: Partly it’s boring because you’ve lived it, read it in another version; gone through this oral history process. But the fact is, it’s just tedious to carefully go through these texts. It will be useful for me. I don’t want you to have to repeat a lot of stuff.

Blum: No, no, no. I would love you to look at it. It will inspire you to ask certain questions. I think you understand quickly what I’m about and what I want to do. Then you tell me what you like about it, what you don’t like about it, and maybe you can tell me what I ought to do with it.

Rubens: Before we end today, I made a note to ask you about the company your father represented out here.

Blum: He represented a company called Van Baalen-Heilburn and Company. They were based in New York City, but their manufacturing was in Maine. It was robes and State of Maine raincoats—they sold robes and raincoats. I can’t remember whether they were both State of Maine or one was and one wasn’t. But it’s Van Baalen-Heilbrun and Company. [spells]

Rubens: They had a distribution center? Sales?

Blum: They had maybe eight salesmen that worked for him. He was born and raised in New York City. The guys that had the good territory, or some guy from the lower half of the state, had Manhattan. He was this young guy. He came out here in, like, 1933. They said, “Well, maybe you can sell some of these things in the western part of the United States.” They sent my father to San Francisco in 1933. Then he met my mother the year later.

Rubens: Your stepfather, then, was in another facet of the business?

Blum: He sold suits for a company called Radnor. They made slacks and sport jackets.

Rubens: Out here?
Blum: San Diego. Then he worked for somebody else. I can’t remember what the hell that was. It was mainly Radnor. If we’d had a caste system, I was meant to be in the clothing business.

Rubens: Could it have been for Joseph Koret? You were on his foundation board.

Blum: I resigned a long time ago. The story of the Koret board is totally different. They had this Koratron process. They took the company public. He made a fair amount of money. The company eventually went under. The guy who is now one of my favorite characters—what’s his name who runs it?—basically took—

Rubens: Tad Taube.

Blum: Tad took [invested] Joe Koret’s money, took his credit, and made a lot of money in real estate. The Koret Foundation—I don’t know what it’s worth today. It is worth two, three hundred million dollars. There was an issue where you had a bunch of guys who were paid too much money for being on the board, who would go to Israel first-class to look at projects, and stop off in Paris and wherever on the way back, and so forth. The attorney general did an investigation. Basically made him clean up the board. These guys were lucky they didn’t run into serious trouble. Tad was the leader of this. The attorney general said, “We want four folks from the Jewish community in San Francisco to be on the board.” I was a designee. Mel Swig, of the Fairmont. Mel, and Barney Osher, who I had lunch with yesterday, and Bill Coblentz, who was a distinguished regent here.

Rubens: You were the guys who—

Blum: We were the guys—

Rubens: But you’re not identified by the attorney general?

Blum: We were the people the AG wanted to go on the board. He basically said, “I want four guys that are independent to go on this board.” We were the four that they approved and wanted on the board. Tad’s a big Republican. He’s close to Stanford, so he started putting on guys he wanted.

Rubens: Richard Atkinson is now on the board.
Blum: Yes. Gets paid a hundred thousand dollars for showing up a couple times a year, so it’s maybe eighty thousand. Yeah, that was it. They went from zero. They wanted to start paying eighty thousand to themselves. I said, “You guys haven’t learned your lesson.” He said, “We do it. We put in our time.” I said, “I’m gone. Goodbye.”

Rubens: The reason I asked you about Koret is—

Blum: I forgot Atkinson was on. I am long gone. I don’t see anything. I have a couple of friends who are still on the board, who understand what the issues are. One of their fathers had been on the board. Said, “Just watch it.” I think Tad must have cleaned up his act, but—

Rubens: I asked you this because you knew Joe Koret. Did your father—that was a different level of clothing manufacturing?

Blum: I met Joe Koret. His wife is still on the board, Susan, his second wife.

Rubens: In another vein, when we talked about Paddock from the Los Angeles Times working with you on your autobiography, it reminds me that in doing research for these interviews, I’ve noticed that the L.A. Times seems to have it in for you a little more than—well, certainly more than the Chronicle.

Blum: Sometimes I don’t see these things.

Rubens: A lot of the stories have to do with contracts your company got, allegedly with your wife’s support or because of some kind of political horse-trading.

Blum: The guy that had the contract down there is Ron Tutor, Tutor-Saliba. The bottom line is, at one point, the company Perini, responsible for the carpenters’ pension plan—carpenters are friends of—you know. We took a pension plan that was basically broke and made them, over a number of years, a billion dollars. These carpenters retired and they weren’t going to get anything. Four to six thousand dollars a month. That’s what guys like us are supposed to do. Doug McCarron, who’s the head of the carpenters, came to me and said, “Perini’s broke. We’ve got thousands of building trades guys that are going to lose—”

Rubens: We’re talking about the carpenters union?
Yes. He said, “Can you restructure this thing?” So we looked at it. I said, “I don’t know how to financially restructure this thing. I sure as hell don’t know how you can find people to run this thing.” Well, the obvious guy was Ron Tutor, who ran Tutor-Saliba. Bottom line ism we put some money into it, and actually, we did well. At some point, Saliba and Perini merged. Tutor, you see their stuff. They did the Richmond-San Rafael Bridge. They’re doing the Caldecott Tunnel. They’re good at what they do. It’s a five-billion dollar business, a big company.

At some point, they started doing a lot of government work to remodel, fortify embassies around the world, because we’ve had a few of ours blown up. We sold our stock. I said, “I can’t do this.” There’s too much federal work. The point is that he got the contract to do—matter of fact, he wound up with a huge lawsuit, and I was glad to be out of it. A lawsuit against the UCLA med center, because he built the UCLA med center. UCLA wouldn’t pay him.
Rubens: You mentioned to me that you want to talk about Warren Hellman, your dear friend who passed away last year.

Blum: There’s a kind of poignant story about Warren Hellman and me getting the lifetime achievement award of the Haas Business School. I received it in 2009. Then a year later Warren got it. For two guys who were healthy and never, ever had anything wrong with us, and I said, “Hey, Warren, you think they’re trying to tell us something?” We laughed about it like, yay, we’re going to be here forever. And then he’s gone. I still haven’t gotten over the fact. I may never get over it.

Rubens: How do you, when you were such good friends? I know that you and the senator visited him shortly before he died.

Blum: Well, not only that. There were three of us who were ultra-runners and all this crazy stuff. Years back, I used to run with Warren a couple of days a week. Sometimes even more often than that. We’d go at 5:30 in the morning, and we’d run and run and run. Then at some point he decided 5:30 was too late and he wanted to go at 4:30, and I said, “Goodbye.” But we ran the Western States 100 race from Squaw Valley to Auburn and stuff like that.

Rubens: You had met him at the San Rafael Military Academy. Why did your parents send you there?

Blum: No. What happened is my father had passed away and my mother had to work. My guess is the other reason is she was probably dating, and so she sent my brother and me off. This was in 1946 and ’47. The nice thing is Warren and I would take the bus in on weekends, and most weekends we came into the city, and then we’d go back. I met Warren there, and Warren used to joke is that, in retrospect, it was probably reform school. I said, “Yeah, but it didn’t do us any good.” It was kind of a mean place for little kids. In today’s world, somebody would have closed the thing down. Maybe that’s a little extreme.

Rubens: What would you say you learned—

Blum: I learned to be pretty anti-military is what I really learned. I really got bad grades making my bed.
But regarding Hellman, from then on you remain friends.

All those years. We went to high school together. We went to Lowell High School. We went to Berkeley together. He then went to Harvard, and he was back east for a number of years, at Lehman Brothers, and then up in Boston. I didn’t see much of him then. Although I do remember, when we bought Ringling Brothers Barnum and Bailey Circus, that it occurred to us that we might add other entertainment companies to it, and he had an interest in the Harlem Globetrotters. So I said, “Hey, should we put some deal together where the circus owns the Globetrotters?” He thought it was an interesting idea, but it never—

He was also on the board of a movie studio.

Paramount.

Okay. I thought it was Fox, because he had to convince them to produce *Star Wars*.

No, it was Paramount. I’ll tell you why, because Sherry Lansing, who is a buddy of mine, and was CEO of Paramount—I talked Sherry into being chairman of the Board of Regents. She, for many years, ran Paramount. Dianne and I originally met Sherry twenty years ago, through Warren.

Also, he sat on the board of a few airline companies. I wonder if you talked to him when you bought Northwest.

He was in and out of the airline business before I got into it. We talked about it. I think, at the end of the day, we both concluded it’s really a bad business to get into.

Your backgrounds were so different. There was a big class difference between you and Hellman, I assume. Did you ever feel that? Were you aware that his family was well-to-do, with historic importance?

When I was young, I didn’t know. Over a period of time, you came to know that. When I started at Sutro and Company, Warren’s father ran the other Jewish firm in town. It was J. Barth, which was literally next door, on the 400 block of Montgomery Street. Mick Hellman ran it. Warren wanted to do everything different than Mick. Mick Hellman, I remembered seeing him out
at Lake Merced Golf and Country Club. This is back in the sixties. The most
exercise he got was climbing up on the barstool. I guess he played golf once in
a while. I know he certainly, from the little I knew about him, had enough to
drink. It was a period when people were thinking, Hey, we’ve got enough
people feeling entitled now that have money. It was sort of the old, wealthy,
Jewish families—didn’t need to be Jewish—that felt entitled. They were kind
of a good old boys club, and they hung out together. That’s what they did.

Warren never had an interest, in the slightest, in any of that. That’s one of the
reasons I admired him, actually. The fact that, yes, he got to be president of
Lehman Brothers when he was in his thirties, and that had to do with family
connections.

[Interrupt]

18-00:14:22
Rubens: Were you and Warren in the same fraternity at Berkeley?

18-00:14:44
Blum: Yes. Pi Lambda Phi. I really didn’t like the fraternity system. Still don’t. I
grew up in an Irish Catholic Protestant neighborhood. There was never a lot of
feeling among the kids, if any, of difference. In those days, there were Jewish
fraternities and non-Jewish fraternities, and I wound up with a lot of kids there
who grew up with a ghetto-ish mentality. If it was kind of Jewish, it was good,
and if it wasn’t, then there were the other folks. I really despised it, because it
wasn’t the way I grew up. My friends were my friends, and I didn’t really care
where they went to church.

I think the fraternity and sorority system back then reinforced kind of a ghetto
mentality, particularly people who never had it in the first place. I never lived
there. I actually only joined it because a couple of my buddies were there. It
reminded me of the San Rafael Military Academy, but with prejudice. A
couple of us would have apartments, lived around the corner. The main reason
we belonged to the fraternity is because you had to eat somewhere. I only
went there to eat. I think it’s morphed since then. First of all, I don’t think it’s
as important. It used to be. These fraternities are integrated, and you now have
boys and girls living together and all these things. I said, “Gee, it’s too bad we
missed that.”

18-00:17:07
Rubens: Once you were a young analyst at Sutro, where did you move then? You were
in the city, I assume.

18-00:17:16
Blum: There was a brief time before I was married. I think it was a year after I
started at Sutro and Company. So I lived at home. I went back with mommy.
Then I got married in ’59. My ex-wife was going to medical school, so we had
an apartment in a place called Kirkham Heights, right next to UCSF. Which
we had to pay seventy-five dollars a month, which seemed extraordinary—too much, at the time.

Rubens: You eventually moved to Marin County.

Blum: I always like to kid and say that I never knew what the sun looked like until I was seventeen years old. We had friends that had a summer place in Marin, and I said, “As soon as I can afford it, I want to move out of the city.” But I had to hang around there for a couple of years because Andrea was going through med school residency and so forth. So I bought a house in the even more foggy place of Westlake.

To give you some idea what that was like, it was a corner lot. I guess it was a two-bedroom, maybe three-bedroom, one-bath house. View of the Golden Gate Bridge three days a year. Quite comfortable. Eighteen thousand dollars. Then I told the realtor, guy by the name of Tony Barigioni who was the father-in-law of a friend of mine, we said, “Tony, on a certain date”—because I just believed that there was no sense being a renter. Your interest rate is deductible, and I thought there would be some appreciation. I told him the date, which was like two, three years out. I said, “Go put your stake in the lawn. Don’t even ask me. Put it up for sale. We’re going to move to Marin.”

A friend of mine, who was really actually more of a client, a guy by the name of Eddy Goodman, knew about this doctor who had passed away, and his widow wanted to sell this house in east San Rafael. Their name was Gutterman. To give you some idea of the difference, it was an acre and a half. Five thousand square foot custom house. Swimming pool. Literally a view of all three bridges. Fifty-two thousand dollars. Then I lived there six, seven years, and then moved to Ross in 1970.

Rubens: What governed that? Because how could you get much bigger than this one?

Blum: No, no, it was much bigger, actually. It was two and a half acres. It was this old English Tudor house. Ten thousand square feet. Then there was a hundred-year-old barn with rooms in it. It was another three thousand feet. It was right next to Marin Garden Center, and it was developed at the same time. People would walk into it because they thought it was a park. I paid two hundred and ten thousand dollars for it. I knew the guys at Wells Fargo. They made the biggest mortgage loan they ever made to me, which was like a hundred and seventy thousand dollars. I understood that the people at the peak of the real estate market, maybe even now, could have, a couple years ago, sold the house for twenty million. But I sold it in the late seventies, when I went to Lyon Street.
Rubens: Then you came back to the city?

Blum: I had started taking out Dianne. It was six months later that she became mayor. As mayor of San Francisco, you’re required to live in the city. She had a house in the city on Lyon Street. Then after we lived in the house that she had lived in for a number of years, we bought the house on Presidio Terrace. We basically gave it to my stepdaughter, son-in-law, and granddaughter. We never had a view. So we now have a view. Then we sort of had buyer’s remorse. We didn’t want to get rid of the old house. So we said, if we give it to them, would they have us over for dinner every once in a while?

Rubens: By the way, did you know the Hallinans? Vince was the legendary lefty lawyer. He and his wife Vivian raised their six boys in Ross.

Blum: I didn’t know them well, but I knew them. They were infamous. Kayo, I guess that was Matthew, taught me how to punch a punching bag. I didn’t know him well, but I liked him. [It was a casual acquaintance, probably through his brother Butch.]

We were on Lagunitas, Ten Lagunitas. These guys were on the opposite end of Lagunitas, right next to the Natalie Coffin Greene Park, which was connected right to the reservoir lake system up there. Phoenix Lake, Lagunitas, et cetera. It was like a ten-minute walk away.

Rubens: Now Jimmy Herman, the head of the longshoremen’s union, was a great friend of the Hallinans. You must have known him when he was on the San Francisco Port Commission. You had made a report on the commission.

Blum: I knew Jimmy very well. I knew him because he was port commissioner when Dianne became mayor, and as a longshoreman, they were very supportive of Dianne. You want to talk to anybody about anything down around the port, you better start with calling Jimmy first. He was a tough guy, but he was a good friend. I liked him.

Rubens: Let’s talk about meeting Dianne. Was it Nancy Pelosi who encouraged you to call her?

Blum: Well, not exactly. I was thinking of doing it because I knew her a little bit from the reports with the fiscal advisory committee. One day, I was having lunch with—I forgot completely about this. Nancy reminded me of the story at our thirtieth anniversary. She got up and said, “Well, before Dick took Dianne out, he and I had lunch in Chinatown, and he asked me whether I
thought I should ask her out.” I said, “She’s making this story up.” “And I told him that, yes, he should ask her out.” I hadn’t thought of this in thirty-some-odd years, and I go, “Oh my god, she’s right.” It wasn’t her idea. I was looking for confirmation and she gave it to me. That was it.

18-00:26:27
Rubens: You must have met Nancy much earlier.

18-00:26:42
Blum: Nancy and Paul lived across the street from us at Presidio Terrace for twenty years. I knew Nancy before I lived there. Nancy, in those days, was sort of your local Democratic fundraiser. That’s what it was. I knew her in that context. I knew Paul the same way.

18-00:27:04
Rubens: Your marriage to Dianne generated also a kind of marriage between, as I think you’re quoted as saying, the private and the public. She was already a high-profile figure in San Francisco as president of the board of supervisors. And of course you were married just before she became mayor. By the way, I read that the actual inaugural of President Obama, January 20, 2009, was your twenty-ninth wedding anniversary. Of course Senator Feinstein was the chair of the inaugural committee.

18-00:27:42
Blum: That’s right.

18-00:28:00
Rubens: What a marriage. You become a public figure then. There is a lot of press coverage about your political teamwork. Then you back away from the spotlight.

18-00:28:17
Blum: What I decided early on was, you can’t have a couple play in this arena. One or the other has got to do it. Wherever you’ve seen this attempted—just look when Clinton got elected and Hillary wanted to run with health care. They took her apart. Even where you’ve had spouses play an important role—and probably nobody played a more important role, but you didn’t see that much of it, than Nancy Reagan. Nancy Reagan fired Don Regan, who was secretary of the Treasury. Obviously, Ronald Reagan had to do it, but Nancy did it. They were inseparable. Dianne actually is friendly with her. She’s not in good shape. She’s ninety-something and she’s not well. She misses him today, all day, every day. I think Ronald Reagan was a nice man. Politically—

18-00:29:38
Rubens: You met him?

18-00:29:40
Blum: Yes. I didn’t really know him well, but of course I met him. The interesting thing about Ronald Reagan, what struck me when I first met him, is he had one of the kindest faces I’d ever seen. I think he was a good guy. His politics,
and there’s been, I think, substantial rewrite, he along with Genghis Khan, to make him look better than I think he was. People contrast Reagan, good old days, with the fact that he and Tip O’Neill could scream at each other during the day, go have a couple of belts at night and work out legislative issues. You can’t do that anymore. Can you imagine Boehner and Obama doing that? I don’t think so.

Rubens: I do want to get at how you decided that one person needs to take the lead.

Blum: I can tell you about that.

Rubens: Little is written about your private lives. But I do want to mention a little glimpse I had of a semi-private moment that was so tender. I was walking by your house in Stinson Beach. The two of you had just walked out the door and were walking up the street to the beach, and you both reached out and held hands.

Blum: Yeah! Thirty-three years later, we still love each other. Isn’t that what husbands and wives are supposed to do?

Rubens: Well, not all of them. Certainly you don’t think of the Clintons, at one point, doing that.

Blum: You’re actually wrong, because we have seen Bill and Hillary together again. They’ve been at our house in Aspen. Holding hands. And in some way, I am totally convinced the two of them are in love with each other.

Rubens: How would you endure all that?

Blum: He can party. Put it mildly.

Rubens: So you fell in love with Dianne.

Blum: Yes. Yes. Wasn’t hard. She’s a good lady. Principled, caring. All she’s ever wanted to do is the right thing in terms of public policy. At the end of the day, it fits in with all this other stuff that we’re talking about here, in terms of poverty and helping people and what Buddhists say. She’s still a person who, all her life, has really cared about helping people who need help, whether it’s schools or medicine or the environment, or women’s rights or minority rights. We had a lunch yesterday with her oldest friends in Chinatown. Some of her
earliest supporters when she first ran for supervisor, which was 1968, which was a good eight years before I ever met her, were in that room. In those days, you didn’t have a Chinese official on anything. In fact, Phil Burton made the first Chinese publicly-appointed person—I can’t think of his name now. Had this guy appointed postmaster general for this area. [Lim Poon Lee; first Chinese postmaster in the nation.] That was a huge deal.

Rubens: Rose Pak came along later.

Blum: Yes, she came around later. Back then, you had different groups. You had the Six Companies. It’s the old Kuomintang group from Taiwan. If you walk through Chinatown, next to Taipei, you’ll probably see more Kuomintang or Taiwan flags there than anyplace else. You will now see People’s Republic flags for years after. You never saw them. Now you do see some. A lot of those old-time guys were there. We originally had a sister city with Taipei before we had one with Shanghai.

Rubens: Just for one moment, to stay on the personal side, you also had a lot of common interests. Did that include Nepal and trekking?

Blum: I’m quite sure she had zero interest in Nepal until she met me. She had been, in the early sixties, to Japan and Hong Kong, and she liked especially collecting Chinese pottery, and still does. A few things Japanese, but mainly—a lot of these things she bought for nothing back then. Got a little piece of cloisonné. I forget what her favorite dynasty is at the moment. Bought for a few hundred dollars that’s now worth tens of thousands. It’s kind of remarkable.

Rubens: What I’m saying, there were affinities. There were reasons besides just the magic of the romance.

Blum: It was really that I cared about the city. I volunteered to help a little bit with John De Luca, who was Joe Alioto’s deputy mayor. De Luca put the money together to pay for this oral history.

Rubens: That’s where you first met him, in politics?

Blum: Yes. He and Howard Nemerovski were buddies from the White House. Fellows. I didn’t do much for him. I was quite involved with George Moscone. That’s really where it started. I put a fundraiser together for John Burton, because some friends asked me to. It was really more about making our house available in Marin. Hell, I didn’t even know who—
Rubens: That’s where you met Barbara Boxer, because she was working for—

Blum: It was a dinner, and Barbara Boxer was working for John Burton. She came over and set the tables. That goes back to the late seventies.

Let me answer your question we never finished. How come I was public with Dianne and then disappeared? Okay. One was, when she became mayor, she said, “Look, I don’t want assassination to be responsible for changing a regime.” So her commitment was to keep all—she didn’t fire any of the Moscone people. Which, by the way, was a smart thing to do, was the right thing to do. I knew a lot of them. I knew the key people. She didn’t know Rudy Nothenberg, who was the deputy mayor, who had come from the assembly and worked for Willie Brown. I said, “Rudy is as good a guy as you’ll ever find.” We started the mayor’s fiscal advisory committee together. He’s been a lifelong friend. She made him chief administrative officer, et cetera, et cetera.

You have no idea how mortified, sort of petrified, this city was after those assassinations. She, after running for mayor twice, not getting there, thinking she has no future in politics, one morning she became the mayor, acting mayor. I stopped doing everything else and just tried to help her for a number of months. One of the reasons I was particularly able to help her is because I knew some of these people. Also, we were concerned, too, about the People’s Temple. Folks that were wandering around the city. We had security with us everywhere we went. It’s not that I was with her twenty-four hours of the day. You’ve got to remember, she was not only the first woman mayor of San Francisco, she was the first woman mayor of a major city in the United States, period. So you were back in an era—well, you know—how can you expect a woman to run anything? To the extent that we were seen together or that people were asking me questions, it was beginning to circulate rumors. Who really is running this city anyway?

Then there were guys like Walter Shorenstein, who never believed women could do anything. A woman running the town? He never said that to me. Actually, he was always friendly to me. We made a joke about it at some event. I said, “Well, other people are coming out of the closet, but I’m going back into it.” It didn’t mean much changed in terms of, I would, back then—I do less today.

Rubens: You must have talked over—

Blum: We were talking about issues this morning, for god’s sake. The point is, whatever I was going to tell her, nobody was ever going to hear it from me. I would tell her what I thought. She said, “What’s your relationship like?” I said,
“It’s like any other couple. I tell her what I think. Sometimes she listens to me and sometimes she doesn’t. It’s the same in reverse.” Guess what? Thirty-three years later, nothing has changed except, at a certain age, you can pretend you’re hard of hearing when she’s saying something you don’t want to listen to.

18-00:42:34
Rubens: What about your role in her campaign for mayor in 1978?

18-00:42:38
Blum: Did I kick it off?

18-00:42:42
Rubens: Well, who runs that campaign?

18-00:42:54
Blum: She was made acting mayor because she was president of the board of supervisors. That was October ’78. It was the fourth year of Moscone’s term, so the following November, she had to run for reelection.

18-00:43:16
Rubens: That was a tough one.

18-00:43:17
Blum: That was the only one that was tough. It was Don Bradley who we hired for that campaign. Don Bradley had run Moscone’s campaigns. We had Bradley run that campaign. Then when she ran for reelection four years later, we hired Clint Reilly.

18-00:43:50
Rubens: Are you consulting with Bradley about your role? Is he telling you also, “Get back. Don’t be—”

18-00:43:57
Blum: It wasn’t an issue anymore.

18-00:43:59
Rubens: You did this on your own.

18-00:44:01
Blum: By the way, this whole thing of people asking questions about it, of my involvement, this whole thing was a few-day spat, and then you heard a little rumbling. I wasn’t anxious to be public with this stuff, anyway. I didn’t have an ego, or particularly want to do it.

18-00:44:28
Rubens: You were supporting her.
Blum: Well, not that. She was so good and so articulate. I always thought, well, the press is going to catch her saying one thing and me saying something else. I said, that’s stupid.

We have now talked about this thing almost as much as it was ever talked about back then. You read these old press clips. Somebody makes some noise for a couple days, and that was the end of it. That’s the way it’s been ever since. If you notice, even today, when I’m really not particularly visible as chairman of the Board of Regents, you almost never hear me mention my wife’s name, and you’ll never hear her say anything about me and the University of California. She does her thing, I do mine.

Rubens: Now if I could drop back into your family background and political leanings. Your father dies when you’re ten, of course, but do you know if they were Roosevelt Democrats?

Blum: My father, I don’t know what he was. My stepfather was a Democrat. My grandmother, my mother’s mother, was barely a Republican.

Rubens: So politics was not necessarily anything that was part of your household?

Blum: No, not at all. Well, I do remember my stepfather, who was a Democrat, and my mother, who was sort of a moderate, could have gone one way or the other, after one election, her coming home. I guess she had voted Republican, he had voted Democrat. Him pounding on the table, saying, “You canceled my vote.” Of course, my mother could have said, “Well, you canceled mine.”

Rubens: Then just if you were attentive to, I don’t know, major milestones, whether it was when the House Committee on Un-American Activities was here, or the Republican Convention in 1964.

Blum: I do remember, when I first started work at Sutro, there was a company, a little brokerage firm, called Edwin Berl and Sons. Eddie Berl and his two sons, John Berl and Warren Berl, they had become partners at Sutro. Eddie Berl was a nice guy, but he was an old-time, many, many years later, Roosevelt-hater. Nice guy, but out there. But my mother and father, I guess with the few dollars they had, bought their shares through Eddie Berl.

I hadn’t been working at Sutro and Company a month—this is 1958—and my mother’s going to take me to Jack’s for lunch, a big treat. Eddie Berl is sitting at a table by himself, and he sees the two of us, and he says, “Why don’t you join me?” He was one of the senior partners in the firm. I had maybe met him
two weeks before. We sit down. The conversation goes on, and the McCarthy hearing, the House Un-American Activities, comes up. I said, “Mr. Berl, as far as I’m concerned, there’s nothing more un-American than the House Un-American Activities Committee,” of which he goes—I thought he was going to have a heart attack, and I was going to get fired. He was a good-natured guy and I never heard any more about it.

Rubens: Now this question is out of left field. I wondered if, because your father and stepfather were in the—

Blum: Schmata business.

Rubens: —and because you’re a good dresser. Were there some instructions in life about how to appear, literally? How you comport yourself?

Blum: It came from my stepfather, who you could almost guarantee, anything he told me to do, I wasn’t going to do. It was that kind of relationship. So when I—

Rubens: He deserved this, as opposed to you being resentful?

Blum: No. I don’t know. Some combination. By the way, he was a natty dresser. He sold suits, and he was a good-looking dude. I went down and bought my first suit. He said, “It’s really a good suit.” It was seventy-five dollars. They got me a good suit. I had one suit. You wore it every day. Didn’t matter. He also said, to show you how fashions have changed, he said, “You will never be a success in business if you don’t wear a hat.” I not only never had a hat, I never believed it for ten seconds and never thought it had anything to do with anything. To this day, I’ve never worn a hat.

Rubens: Kennedy really changes the whole—he doesn’t wear a hat during the inauguration. Did people at Sutro wear hats?

Blum: I think some of these older guys wore hats. But hats were already on the way out. If you look at these old movies from thirties and forties, everybody had a hat. Or the gangsters in Chicago in the twenties, everybody had their hat on. They all had hats and cigarettes.

Rubens: Jimmy Herman, portly, was well attired. He once said something like, “Longshoremen should change clothes after work.” They did that until some time in the ’60s. They went to the docks in “street clothes;” then they would
put on their worker’s clothes, and then after their shift, they would change back to their street clothes.

18-00:52:31
Blum: Yes, it’s understandable. Just think about it. You go to gym or you’re playing some athletic thing. You wear something else. You think of what the longshoremen did. You’re going to wear your good clothes?

18-00:52:56
Rubens: Were there instructions to you about how to comport yourself because you were Jewish?

18-00:53:04
Blum: Never.

18-00:53:06
Rubens: It wasn’t, there’s extra scrutiny on you because you’re Jewish; or you’ll bring discredit to the race if—

18-00:53:11
Blum: This city isn’t like that. Our family never was, never like that. It wasn’t even a topic.

18-00:53:22
Rubens: Was there Christmas in your house?

18-00:53:24
Blum: Yes. I never understood this. My father was born and raised in New York. Growing up, we had the biggest Christmas tree on the block. From a Jewish kid from New York, I never quite understood how that happened. Of course, as kids, we loved it.

18-00:53:41
Rubens: Was your mother into it?

18-00:53:44
Blum: Yes. My mother went to Dominican College and a high school in San Rafael until she was—she said until she was twelve years old, she was thinking about becoming a nun. She said, “Then I discovered boys and that was the end of it.” I said, “Thank you, Mama. I’m glad you did.”

18-00:54:13
Rubens: That’s cute. Any interest in Israel? Did the family have any interest in Israel?

18-00:54:16
Blum: Back then, zero. Jewishness just wasn’t anything. My stepfather was different. His family, even some of his sisters, were born in Odessa. Then they came to and grew up in Wilmington, Delaware. My first real introduction, and where I learned how to swear in Yiddish, was from his sister. She was a great lady, who would chase him with a rolling pin and call him every name under the book. I learned—
She lived out here?

In L.A. Her name was Etta Ross. I learned how to swear from her. She was great. It was really my step-cousin. Judy married George, who was Rube Goldberg’s son. Judy and George were basically playwright producers. Judy was the closest thing I had to a sister. We were buddies. She lived in New York. The sad thing about that is that they never really had a big hit until they started *Memphis*, which was a huge success in the last couple years on Broadway. It’s a story about the beginning of rock and roll in Memphis. Unfortunately, neither one of them lived to see it become a success.

But they were in on the beginning of it?

Yes, they started it. The last time Judy ever had a cigarette out of her mouth, and eventually, in her seventies, died of lung cancer. George had severe Parkinson’s.

This was like an extended family.

I was closer to them, because I didn’t have any cousins. My mother’s brother and my father’s brother didn’t have any children, so I didn’t have any cousins. My cousins were Morris, Morry, Weinstein—who was my stepfather’s sister’s son—and his relatives in L.A. At some point, you forgot that they were step-cousins. They were your family.

Did you make your peace with your stepfather at any point, or was it always a little—

It wasn’t terrible. It just wasn’t wonderful. It’s not like we—. It was strange, because when I went on to get an MBA, I would hear from guys down at the golf course. He would brag about me and say, “With an MBA, he’s going to go much further,” so forth and so on. But he never, ever said it to me. It wasn’t a big deal with me. I listen to these speeches. The little that I could stomach of the Republican convention. Everybody wants to tell you how their father died when they were young and how they overcame it and grew to be wherever it was. In my entire life, I’ve never said, “In spite of the fact that my father died, I got to do this, that, and the other thing.” It was very sad, of course, but my father had been in a hospital in L.A. on and off for a couple of years. I had a good mother and a good grandmother, so it never occurred to me that I was worse off, or that it materially affected my growing up because my father died when I was young.
Rubens: I read somewhere you had a good relationship with your brother.

Blum: Yes, my brother and I were always good friends. We live in different worlds, and he’s lived in North Carolina for forty years. He’s now retired. Poor Bob lost two wives to cancer within five years of each other. He goes on trips around the world three, four times a year. He’s a photographer. He’s happily retired. I wouldn’t say he’s wealthy, but he’s comfortable. He’s got two kids, two sons. One’s in Colorado, is a veterinarian, and another one out here, and a granddaughter.

Rubens: I’m going to bring you back to politics, but this is totally out of left field, too. Why Aspen? How did you get to Aspen?

Blum: Aspen is sort of a different story.

Rubens: Maybe I should change the tape first.

Blum: If you want to, go ahead.

Audio File 19

Rubens: Does Aspen fit in here at all? When did you go to Aspen? Let’s put it that way.

Blum: Here’s the story about Aspen. As I wound up having a few dollars in our pockets—I’ve always been, my entire life, somebody who’s loved the mountains. We, in 1970, have this little condo in Tahoe. I said, “But I want to buy something with some land.” I had three places in mind: Sudden Valley, Tahoe, or Aspen. I eliminated Tahoe, because I just thought—of course, now we have a place in Tahoe, and it’s a part of the lake where it isn’t crowded, because it was just too crowded during—

Rubens: Had you been to Hellman’s family’s place in Tahoe?

Blum: The Ehrman Mansion? Yes, I’ve been there. They built that place back in the 1880s or something like that. Where you could have bought the whole lake for ten dollars. In fact, every year, there is a Lake Tahoe Summit. It all started with Clinton and Gore committing federal funds to clean up the place. It carries on every year. That’s what we were just doing two weeks ago. The Nevadans hosted one year. Dianne hosted the next year. Or it rotates between
senators. I just happened to be wherever I was and couldn’t go to it the year that Dianne did it. She hosted the dinner in the Ehrman Mansion.

Rubens: Our office is working on a project to document that Tahoe Regional Plan and current issues about development.

Blum: If you have any questions about it, you want to talk to me or talk to Dianne. Jerry Brown and Anne came up. They do this every year and stay with us, because I wound up with this place down at Rubicon, which is just probably ten minutes south of where the Ehrman Mansion is, going towards Emerald Bay. I wouldn’t, for twenty years, go to South Lake Tahoe, because I remember what it was like before the damn casinos went up. Now the casino business has cratered, and Reno is in terrible shape, because of all the Indian casinos, so you don’t need to go to Nevada anymore. Seventeen hundred people, over some period of time, particularly from South Lake Tahoe, in the casinos, have lost their jobs. They actually have high unemployment there. One of the issues is, what do you do about it? Do people just move out, or can you have some light industry there?

Rubens: Yes, what kind of development can take place? For instance green, appropriately scaled development.

Blum: The problem is you have fifty different foundations, agencies, and what have you, that have to deal with Tahoe. To get anything approved there is crazy. As I said, we had this roundtable. There must have been forty, fifty people in it. You had the fire chiefs there. You had the people from Tahoe, TARP. Tahoe Regional Planning or whatever. The Save the Lake Tahoe group, the this, the that, and the other thing. They were all talking about how does the private/public sector work together. I said, “We, in our family, have the ultimate private/public sector relationship. I don’t have an axe to grind. I don’t own any developments at Lake Tahoe, nor am I interested in doing it. But the problem is, you haven’t had anybody up here that has made any money doing anything in forty years.” Maybe it’s not forty, but it’s thirty.

It’s the old story: nothing succeeds like success. So if you let somebody build some kind of resort that succeeds, or you help the ski industry, or you help whatever. But maybe, in some cases, because you hold up everything around here, you’re doing these people a favor. The two major hotel projects, the Inn at Squaw Creek and the Ritz Carlton at the north end of the lake, both have sold; the Ritz Carlton is about to sell for over a hundred million dollar losses. You do need a certain amount of economic activity around here. These little places have folded. I’m not confident that anybody is ever going to do anything about it.
We got derailed, because you said you’re deciding, in 1970—

I’m choosing between Sudden Valley, Tahoe, and Aspen. I started leaning a little bit towards Sudden Valley, but I’d never spent a summer in Aspen. I didn’t really know Aspen very well. I had been there a couple times. We were looking to rent a house in Sudden Valley for the summer to see what it was like. Had trouble finding anything. Then I had to go to a meeting at Fred [Vincent] Malek’s house, to do with CBRE, in Aspen. Fred—I had never been there—had this beautiful house, side of Red Mountain. He said, “What are you doing for the summer?” I said, “I’m trying to find a place in Sudden Valley.” He said, “When do you want to do it?” This is the ultimate bipartisanship. This is ’96. It was the week of the Republican convention. He says, “Why don’t you and Dianne use our house, because Marlene and I are going to be at the Republican convention.” I said, “Only if you use our house at Stinson Beach during the Democratic convention,” which they actually never did.

So we spent the week at Aspen, and the end of the week, we’d made up our minds. We wanted to look for a place in Aspen. We had somebody showing us property, and I found, kind of outside of Aspen—it’s fifteen minutes away. It’s all zoned agriculture. It’s forty acres. By the end of the year, we had bought it. Two years later, the house was up and going.

So it’s 1970 when you start looking.

No, no, no. I bought the condo in Tahoe in 1970, but I never thought about having a—I wanted to buy some land out somewhere. Not a condo in the middle of Aspen. I ruled out Tahoe, because it was just too crowded during the summer. Also, it was very hard to buy any place near the lake where you could have any land.

So Mondale stayed at your house in Aspen.

It was during the Iraq War, because I had a ski suit that was khaki-colored. It was a Bogner sort of out-there ski suit, and Mondale said, “You look like you’re in the Iraqi Army.” He called me the Wacky Iraqi as we went down the hill.

When did you start skiing?

I started to learn to ski with my kids when I was in my thirties. I had skied a couple times, and I said, you have three daughters, and what do you have in
common? Those were the days before women’s athletics became important. I knew how my ex-wife and her family grew up. Girls didn’t do much of anything in terms of athletics. Some did, but they were the exception, not the rule. So I said, gee, if we all learn to ski together, that’s something we’ll have in common. That was what motivated me. Little did I know that one of my daughters, Heidi, would have a ski company years later in Switzerland, and she was on the ski team at the University of Colorado. I have a grandson who is eleven years old, who is an amazing young skier.

I had bought the place in Tahoe, because otherwise, you were just getting all the ski stuff, throwing it in the car, renting and so forth. This is when you bought a condo for sixty thousand dollars. I still own the condo at Tahoe.

Rubens: Did you ski at Sugar Bowl, ever, with Warren?

Blum: Yes. I’m not a big fan of Sugar Bowl. The best place to ski is Squaw.

Rubens: Then when did you start running?

Blum: I didn’t start running until Dianne was mayor. In fact, before we moved here, there was a guy by the name of Rubin Glickman, who’s still an old friend, who used to go running every day. We shared offices together. I made fun of him as a runner. He said, “You need to try it sometime.” “Nah, I don’t want to do it.” There was some, I guess it was a five-K race down at the Marina Green. Dianne was mayor and they wanted her to cut the ribbon. She said, “I can’t do it. Will you go cut the ribbon?” These guys were in it. I didn’t even have running shoes on. I had basketball shoes. These guys said, “Look, why don’t you cut the ribbon and just run a couple hundred yards with us?” I didn’t just run a couple yards. I just kept running, and we were talking, and the next thing I knew, I had run the five-K. Endurance has always been my thing.

I said, hey, maybe this isn’t so bad after all. He said, “Go get some running shoes,” and I started running with these guys. Three weeks into it, I ran eighteen miles. Within a month, I was going to run my first marathon. We figured, because I did eighteen miles, that I could get through a marathon, at which point Dianne and I had been going out for six months.

She went nuts. She said, “You just started running. You’ll have a heart attack and die.” So I didn’t do it, but then about two months later, there was another marathon, and I did run it. Within a few months from the time I started, I ran. Then I didn’t like marathons, because it was all about, okay, I ran the first one, I think, in three fifteen. You’ve got to see if you can break three hours. Then all I saw this thing as being stressful, and I said, “Look, I took up running to relieve stress. This is stressful. I don’t want to run any more marathons,
because all I’ll try to do is beat my previous record.” Somebody talked about a thirty-mile race or whatever it was. I did about six or eight of the ultra-marathons, which were two marathons, or fifty miles, then eventually the hundred-mile race.

Rubens: How long did that take you?

Blum: Forever.

Rubens: So what frames your interest in national politics? You talked about Howard Nemerovski introducing you to Mondale and having Mondale’s fundraiser.

Blum: I just care about the issues. And over the years, I care more and more about the issues. I’m a Democrat through and through. I liked Mondale. He was a protégé of Hubert Humphrey. He cared about people. They came from the farm labor organization of Minnesota. Very liberal folks. Basically grew out of kind of Scandinavian values of community and caring for people. That had a great appeal to me.

Rubens: I read that you had met Martin Agronsky; brought him to a fundraiser for Mondale.

Blum: Martin, probably, among the liberal commentators—

Rubens: Did he help shape, in a way?

Blum: I think so. Martin is a kind of Sunday talk show guy. When I met him, he was doing the Face the Nation program.

Rubens: You met him through the general counsel at Ringling, with the Ringling—

Blum: Yes, Louis Jacobs. They were buddies, and we were all great friends. I miss those guys. They’ve been gone a long time. I still miss them. They were great guys.

Rubens: So Agronsky was really tuned in to how these liberal issues played in the public.
That’s what he did for a living. His first job was working for the *Palestine Post*, which became the *Jerusalem Post*. His uncle was Gershon Agron. One of the main streets right in downtown Jerusalem, not far from the King David Hotel, is Agron, named after Martin’s uncle. Martin also was sent over to dispatch the Eichmann trials and—

Did you know him then?

Yes. He lost about twenty pounds, couldn’t sleep. Finally he said, “I have got to get out of here. I can’t stand this thing anymore.” He said it was the worst. The Eichmann trial went on and on forever. He said, “It’s so bad, I just couldn’t stand it anymore. I had to get out.”

Have you been to Israel?

Yes, I went to Israel when I went to school in Vienna with a friend of mine, Howard Margulies. I went there first in 1957. Jerusalem was a divided city. You couldn’t go into the old city. No, that was Jordan.

What made you go to Israel, by the way?

A friend of mine, Howard Margulies, who we grew up with, and roomed in college with, came over that summer, after I finished school in Vienna. His father was early in helping Israel. That was the days when everybody planted trees. They were also in the business growing grapes and citrus and so forth. His family had originally come from Romania. Had done a lot of stuff over there. Howard said, “I’m going to go to Israel. Why don’t you come with me?”

So I did. It’s a totally different place today than it was then. This is August in Tel Aviv without air conditioning. I remember I was in some five-dollar hotel down somewhere near the beach in Tel Aviv, and this thing was just sweltering. Just lying there, perspiring all night, and not being able to go to sleep. Then when we went to Jerusalem, there was a youth camping place where you could just go there and stay in tents. It was outside the new city. That’s what we did. Everybody in Israel back then were émigrés from Europe. They weren’t from the Middle East, and none of them were from Russia back then either.

You didn’t go with Agronsky?

No, I never went with him.
19-00:22:15
Rubens: Did you go again?

19-00:22:17
Blum: I’ve been there a number of times, but I never went with Martin. Martin didn’t go there regularly. I guess he did on occasion. He was, in Washington, the go-to reporter if somebody wanted to know what was going on in Israel.

19-00:22:35
Rubens: This must have been exciting. You brought him out here to moderate a conversation—

19-00:22:39
Blum: With Mondale, in 1974. I learned more about the issues, because, first of all, I saw him and talked to him all the time. I watched his program. I went with him. He interviewed, with Roger Mudd, Bobby Kennedy on the weekend before Bobby Kennedy went to L.A. His last interview was with Roger Mudd. I remember watching it on Tuesday night. He had won the primary. Heard the interview. I turned off the TV. I was living in east San Rafael. You know how you remember where you were when things happen? We had a carport, and I’m backing out of the carport, and I have the radio on. You’re twelve seconds out of the carport, and you hear, “Bobby Kennedy has been shot.” I can still see the top of the carport in my mind and know that that’s what I saw when I heard it.

I go to Washington the next weekend, and what I remember about that was they had this train that came down, I guess from—I can’t remember. I guess it went New York to Washington or Philadelphia to Washington, someplace, carrying Bobby Kennedy’s coffin. It stopped everywhere. It was in Philadelphia when I took off from San Francisco, and by the time I actually landed in Dulles and drove near the airport—I mean, where the funeral was in Arlington Cemetery—it was still going on. That train moved slowly and speeches went on. Then seeing Martin. I forget who was on his program, but it might have been—I can’t remember which one of the Kennedy inner circle guys that wrote a history. Might even still be around, but he was around recently, and this was one of his buddies. They had him and somebody else on the program. I remember he was trying to put this thing in a historical perspective. Was it Schlesinger? He could barely get through the interview. He was just in tears.

19-00:26:21
Rubens: Dianne had supported Bobby Kennedy in the primary.

19-00:26:37
Blum: Yes, it was June ’68. I have friends who were going for McCarthy. But Dianne had worked on Bobby Kennedy—I didn’t know her then, but she had worked on his campaign.
Rubens: There’s Agronsky. There’s going back to Washington once a month for a week. That had to catapult you into—

Blum: I was on the board of a couple of companies headquartered in Washington. One was, at some point, Ringling Brothers. That was ’68. The other one was a company called Checchi Company, which did a lot of international economic consulting and had started to make some investments abroad related to them, particularly in the Philippines. These were commercial enterprises. I didn’t have anything to do with politics in Washington, per se, until Mondale became vice president, which was ’76.

Rubens: Seventy-six, right. Then you’re involved with the urban grants program. That must have given you a real taste for being at the center of things. Now you’ve had success—

Blum: Oh, yes. I’m trying to remember. I think I was in Washington when Kennedy was inaugurated, or shortly thereafter.

Rubens: You were there on business?

Blum: The first company was called Matrix. Matrix led to Checchi & Co. We had money in Matrix. One of the things Matrix had was a private training business to teach people to fly planes, prop planes, for the government. I remember it was my only lesson ever in flying. That was out of National Airport. Looking down, I remember seeing—and I’ve never seen it like that since—the Potomac River just jammed with ice.

Rubens: But you’re not a flyer. You have a plane, but you don’t—

Blum: You don’t want me in a cockpit. And I don’t want to be there.

Rubens: So you’re operating at a national level in politics, but decided you wouldn’t move because you wanted to stay close to your children. Did that make you more interested in San Francisco politics?

Blum: I think it all just made me interested in the issues that affect people and how you can get involved and what you can do about it.

Rubens: Did you encounter the Burton machine by then? Had you met Willie Brown and—
Blum: I just knew John Burton back then. I think the Burton machine always questioned whether there was really a Burton machine. I knew Phil Burton, who was amazing. After Phil died and Sala wound up taking Phil’s seat, and then a couple of years later, she died, Dianne was in her last year of mayor, people came and said, “Do you want Sala’s seat?” Dianne said, “No, give it to Nancy.” That’s how Nancy wound up going into Congress. I don’t think most people know it.

Rubens: That’s a real good story.

Blum: By the way, I’m not sure Dianne quite remembers it that way, but I do.

Rubens: Every story I hear about her, about the senator, suggests she’s a strong leader but also collegial.

Blum: She is fundamentally more tough-minded than I am, but I’ve been trying to catch up with her.

Rubens: So Howard Nemerovski enlists you in Moscone’s campaign and you write a position paper on the port. Do you remember what you had to say about the port?

Blum: What I did, I went and interviewed a couple of people.

Rubens: I imagine one had to have been Jimmy Herman.

Blum: I don’t know whether I knew him back then or not. If he said, “Could you have talked to him about it?” I could have, but I don’t remember having done it. There was a guy. I can’t remember the name. His wife was treasurer of the U.S., and he was—there is an appointment like the head of the Maritime Commission, Federal Maritime Commission. This guy, very nice man. They lived in Marin. I’ll be damned if I can remember their name. I’m sure I could find it out. He had retired as head of the Maritime Commission. I said, “Look, Moscone wants me to put something together on the port. Can you help me?” He was very helpful to me.

It was funny. I was not looking for this assignment. We’re out at Howard Nemerovski’s house, and I knew what was going to happen, that Moscone was going to say, “There’s fire, there’s leaves, there’s the port, there’s this, there’s that.” He wanted people to do this stuff. I already had enough going on. I didn’t really want to do it. There was a big palm tree in Nemo’s house, and I
was two-thirds behind the palm tree. They’re going around and they’re down at the port and they’re saying, “Who wants to do the port?” and I’m kind of like this [hiding]. Nemo says, “Dick, why don’t you do the port?” I said, “Why, because I like to swim? I don’t know anything about the port.” I still liked to swim. I didn’t do anything better.

George says, “You don’t know anything about the port? Good, then you’ll look at it with fresh eyes, so will you do it?” Then I finished the report, and I didn’t know whether this is just giving a bunch of assignments and Moscone is going to pay any attention to it. So I sent it to him, and he says, “Hey, can you come down? I want to talk to you about the port.” I went down. He was a state senator at the time. I had a meeting with him on the port. The next thing I know, I’m looking at what he wants to do if he becomes mayor, and all the stuff we had recommended was there. I said, oh my god. Here’s a politician. I made some recommendations and he accepted them. He’s going to try and use them.

19-00:36:02
Rubens: Do you remember what the recommendations were about?

19-00:36:05
Blum: No. I don’t remember.

19-00:36:47
Rubens: Then you make the suggestion about creating a financial advisory committee. Tell me a little bit about your sense of who were the important players. You mentioned Shorenstein earlier. Were there other people in the—

19-00:37:12
Blum: What you had then, you don’t have anymore, is almost full-time commissioners, who didn’t get paid anything, who were buddies and advisors to the mayor. The key commissions were airport, police, fire, and probably park and rec. Maybe there were others, but those were the main ones.

19-00:37:44
Rubens: Redevelopment.

19-00:37:48
Blum: Yes, redevelopment. You had people like Gene Friend, who was rec and park forever. You had Mo [Morris] Bernstein, who went from fire to the airport. You had [William] Coblentz, who was always on the airport commission. Henry Berman, who was fire and airport.

19-00:38:18
Rubens: When does Hadley Roff come into the picture?

19-00:38:20
Blum: Hadley Roff was Dianne’s deputy mayor. He had originally worked for Alan Cranston. Wanted to come back here. We see him not often, but we saw him a couple months ago. Hadley is still—
You have him listed as one of the personalities that you would have featured in the first version of your autobiography.

He was press secretary for Cranston, and then I think he may have had the same job for Alioto. I’m not sure. But it was Mo Bernstein’s idea to bring him back as Dianne’s chief of staff. Dianne didn’t know him. He flew out from Washington and it worked out. Hadley was always grossly overweight. He was, as press secretary—I mean, it’s her chief of staff—was always in the middle of whatever the goddamn controversy was of the moment. Then they came every five minutes. I was always afraid Hadley was going to have a heart attack. I never thought he’d make it through nine years, but here we are all these years later. His mind is still the same old gracious kind of Irish pol, and smart. I love Hadley. He’s wonderful.

He’s someone whose oral history should be done. I’ll tell you what. If you want to do it and you need to raise a few bucks for it, you can—do you know him? Call Hadley. He may not want to do it. But you know what? I think he would. If you said, “Hey, would you give me twenty-five thousand dollars to do Hadley’s oral history?” the answer is, you got it. You can tell him I said so.

Thank you so much for offering this. I will follow up. I was crazy about his wife, Susie. She died a few years ago.

By the way, they got married one week before we did. Swedenborgian, lovely little church on the corner of Lyon and Washington. Which was less than a block from where we lived. Hadley will really be good. He is a fountain of knowledge. When I was new to this stuff, he was already politically sophisticated. So he’ll have a view and interpretation of a lot of this stuff that, when I was going through it, I didn’t have, that I might have had if I started in politics twenty years earlier.

I interrupted you, though. You were talking commissioners. I can’t remember at the moment who Mo Bernstein is.

Mo Bernstein would be upset that you can’t remember who Mo Bernstein is. Mo Bernstein was sort of a Damon Runyon-type character. Came out of New York, lived here most of his life. Sort of thought that this place should run like an East Coast city, and tried to make it that way and was totally unsuccessful.

Did he have money?
A little bit of money. He had, out on about 46th Avenue, out near the zoo, one of these first kind of discount, whatever, stores. It was government employees together. These guys bought some property out there, and they were merchants. I think it went wrong for a few years and eventually disappeared. He was a businessman, but he didn’t really—he tried to make a buck on real estate here and there, but he was just a totally political animal, and totally manipulative. Everybody sort of saw through him and everybody liked Mo.

I’ll never forget, my favorite story about Mo Bernstein was he was all for George Moscone getting elected mayor. In the runoff against John Barbagelata, who was a right-wing guy, we’re sitting with George watching the returns come in, and they flash over to Barbagelata headquarters. George jumps up and says, “Look at that!” and there was Mo, walking into Barbagelata’s headquarters. George wins that night, and now Mo wants to be whatever commission he wanted. George put him into the penalty box for about six months. I don’t know if he was meant to be police commission or airport commission or whatever it was. George wouldn’t—once he was elected, said, Okay, his buddies were going to be commissioner this, that, and the other thing. He wouldn’t talk to Mo for six months. Then Mo wound up being head of the airport commission. A bunch of these other guys were really ticked off, because they were all loyal to George, and Mo, after being put in the penalty box, wound up with sort of the prize commission.

Because he could make things happen? What was attractive about him, that he wanted it so much?

Your own little power broker in that area. I think Mo was always trying to figure out how he could make a buck being the airport commissioner. Having said that, this city, back in those days, was as clean as can be. Let me put it this way. If he was ever successful at making a buck off of any of this stuff, none of us ever knew about it. It’s not that he wouldn’t have tried, because—

Where does Shorenstein figure in this picture? He’s not someone with local politics, right?

Shorenstein only wanted to do one thing: build buildings and fill them. He didn’t want to be a commissioner of anything. This was all about Walter’s personal building empire. Period, the end. At some point, later, he wouldn’t fund—cared about the Pacific trade or this, that, or the other thing.

The Harvard center.
Yes, but that was for his daughter, who has since passed away. Walter was pretty good at convincing various Democratic White Houses that he was the key guy in northern California. There’s an old saying that I guess came from Teddy White’s book. Power is the tilting of the mirror. If you tilt it properly, you have it. If you don’t, you won’t. If the guy running for president was coming here, or was the president, the guy who was all over it in twenty-six different ways to put on the event and be the big man in town was Walter Shorenstein. Over the years, frankly, a lot of people resented it.

I bet. He was spending the money.

It was mainly spending other people’s money. He would talk a good game. What he did, he did raise some money, because he had all these buildings, and you had suppliers. How are we doing? He was a very tough guy. He wasn’t, in my view, anywhere near as charitable as he should have been. What I said about Walter was he’s figured out how to do something nobody else has ever done before, is how to take it with him. There was one year when there was no estate taxes, and of course that was the year he died. So he maybe did take it with him. I would say this. If you want to talk about Walter, Cindy Testa, who was his executive assistant. Whether Cindy is willing to sit down and talk to you about this stuff, I don’t know. She was in here just the other day. We’re doing a dinner for former Prime Minister Tony Blair, day after the election, at our house, and Cindy’s putting it together.

Why Cindy?

Cindy does that stuff. She does stuff for Clinton. I guess she’s doing stuff for Tony Blair. She still does some stuff for Shorenstein. Her office, as far as I know, is still over there. I think she helps Doug Shorenstein some.

I’m not sure there was love lost between the son and the father.

One, there wasn’t, and two, I would say Doug is easier to deal with than Walter. I like Doug. I was never a fan of Walter’s. I remember when they wanted to put in a transit tax, a highrise transit tax, because these buildings were going up. It put additional strain on the Muni system, on parking, and so forth, so you had to build garages, so forth and so on, so there was going to be a highrise transit tax. Which Dianne was for.

Walter went crazy. I remember going to the Villa Taverna to have lunch with Walter. I’m not saying that lunch went on for a long time, but when the lunch was over, the early dinner crowd was starting to come into the restaurant.
That’s how long it went on. Walter never liked strong women. He never liked Dianne. I didn’t sit down with him much in recent years, but occasionally I would. I was polite.

In fact, the way I got involved in that neuroscience building was, one day, Walter called me. He says, “I’m talking to Stan Prusiner,” the neurologist. He says, “At my age, I’m either going to wind up with Alzheimer’s, Parkinson’s, MS, or something else unless we find a cure, so I’m interested in putting some money up for the neuroscience center.” I was chairman of the Board of Regents. Walter actually calling and wanting to put up some money for something—. It was he, and then there was the Sandlers [Herb and Marion] and then this, that, and the other thing. I don’t want to go into the details, but to say that he jerked Steve Hauser, who was Prusiner’s partner—lovely, lovely human being, research doctor—around with promises never fulfilled, was not embarrassing, but appalling. At the end of the day, I think Doug did give UCSF a little money, but it was—

19-00:54:30
Rubens: So Shorenstein wasn’t a factor in local politics, except when he—

19-00:54:35
Blum: Well, two things. One, his issues, and two, if it was a candidate—if there was somebody running for the Senate from wherever, he was the guy. In fact, between us—oh, this must have been back in the mid-nineties, during the Clinton era—I got a call from the White House. They said, “Dick, we would really not like Walter to be the go-to person anymore in northern California. Would you do it?” I said, “Thank you. I’m flattered.” I knew it was modest. It’s all about fundraising. I gave them some other suggestions. I said, “I don’t want to do it.” I remember he was a total pain in the ass to Mondale, who was looking to get—Mondale had the nomination sewed up. He didn’t have California sewed up. So they’re calling Walter to do this, that, and the other thing. He was extracting the last pound of flesh for god knows what reason. He wasn’t the only one. Fritz never used to get that kind of mad, really mad. Any rate, he was a difficult character. He wasn’t all bad, but he was difficult.

19-00:56:22
Rubens: I want to also ask you about the role of political consultants. Clint Reilly came in for Feinstein’s reelection campaign. How much did you work with him? What did you think of him?

19-00:56:52
Blum: I would say this. Years ago, I would have been ready to kill him. He also was, when Dianne’s aborted run for governor—we had a blow-up over that. That came apart and we hired Bill Carrick, who had come out of Shrum’s organization. Bill has run every one of Dianne’s campaigns ever since.

19-00:57:29
Rubens: You said, at some point, you were on the phone with him every day.
I don’t know if it was every day, but it was certainly continuously. Clint is a totally different human being today. Dianne had just gone through surgery in 1990. Had a hysterectomy. It takes time to recover. I had explained to Clint, it’s not like when you break a leg. This is a whole—I think difficult psychological implications for most women. She just wasn’t up to doing what she needed to do. He got uptight about it. “She owes me because I helped her get reelected” in whenever the hell it was, ’84, which was a no-brainer. It was no contest. It got very testy.

Rubens: Owe him? What does she owe him?

Blum: He thought that he had done so much for her in the previous reelection campaign. Increasingly, it was a strained relationship. So it came to an end in 1990. We hired Bill Carrick, when Dianne allegedly had no chance of winning the Democratic primary. Shrum was running the primary. Dianne was eighteen points out with a month and a half to go, and we won it by about eighteen or twenty points. Then, because it wasn’t well-funded and Pete Wilson had a bunch of dough, they sort of drowned this in the fall. It’s the only race in all these years I’ve been with Dianne that she ever lost, and it was by, like, two points. If the chairman of the Democratic Party in the state had organized what he was supposed to organize, she would have won. The chairman of the Democratic Party back then was a fellow by the name of Jerry Brown. Any rate, the party, when she ran this great race, barely lost, felt they owed her one, and they said, “Will you please run for the Senate?” She had never thought about the Senate. She had only thought about being governor. I said, “Hell, why not?” Then she basically walked—

Rubens: That’s ’92.

Blum: She walked into the job. The Huffington race was difficult, and ever since then, she’s owned it.

Rubens: And she’s going to run again?

Blum: Right now.

Rubens: It’s just amazing, her stamina.

Blum: By the way, the office did close, a while back. Any rate, we had a falling out then. Years later, several good things happened to Clint. One, Clint, back in those days, I don’t think he knew how to get along with women, period. That
was part of his problem with Dianne. At some point, he met Janet, who’s a lovely, smart lady. Dianne has been supportive of her. She should have been elected to the board of supervisors. He started investing in real estate, which he has done quite successfully. He’s a good, generous guy. He hasn’t run a political campaign in years. I think I became Catholic Man of the Year to a greater extent because of Clint Reilly promoting me to the archbishop or whatever.

19-01:02:21
Rubens: I don’t have that award in my notes. I don’t have a complete biography.

19-01:02:30
Blum: There is one. It’s not perfect, but I had to put it together for the White House recently.

19-0:02:36
Rubens: That’s what your assistant said when I asked for one. She said, “We slimmed it down for the White House.”

19-01:02:39
Blum: Yes, there’s a bunch of junk in it you don’t care about.

19-01:02:41
Rubens: But I do.

19-01:02:43
Blum: I was honored by the Korean American community.
Rubens: I wanted to ask you about the introduction you wrote to your book—maybe you call it a foreword—to the *National Geographic* book on the Himalayas. [*Himalaya: Personal Stories of Grandeur, Challenge, and Hope*]

Blum: I wrote that word for word.

Rubens: That’s the tone and balance that should suffuse your autobiography.

Blum: For a reason you probably have already figured out, I find the draft I have is sort of without spirit. The only other person that read this thing besides you, and at some point you should talk to her, because she’s run the American Himalayan Foundation for twenty years, and she gets it. She’s also on the board of trustees. Erica Stone. She doesn’t like it or the writer.

[Interruption]

Rubens: It’s not bad. I’m not saying that.

Blum: Look, there are two things. You either work with it or you throw it in the waste basket. He just went through it methodically. Every once in a while, I find a quote. There’s one by Yeats or Keats that basically was something to the effect that teaching is not to fill the stomach full of information, but it’s to inspire the soul. That’s not quite it. I have it someplace. It was in a pamphlet for my two grandkids’ school in Switzerland, this English school. That stuff you like to head a chapter with or something. Oh yes, I have it written down. It’s from Yeats. “Education is not the filling of a pail, but the lighting of a fire.”


Blum: You can say, look, all the major religions teach the same thing about kindness and compassion and all that. Why is it more all-encompassing with this group of people who live in this harsh climate? What is it about the way they live, over thousands of years, that got them to be so—obviously not everybody—extraordinarily thoughtful and a different way about the same stuff? There’s the quotes in there that I have in from Lama Govinda. That basically is one way of saying it.
Lama Govinda was interesting, because he was actually German, and he was an artist. I knew him. When people say you knew Lama Govinda, it’s like saying you knew Thomas Jefferson. Lama Govinda went to India, and eventually Tibet, in the 1920s as an artist, and went and lived in a lamasery and learned Tibetan Buddhism. When he lived here—and he finally passed away in the early eighties—we had him live here. I almost had him on a place with an extra house, let him live in it. Now you have a lot of Tibetan monks who speak perfect English. You didn’t then. But even still, once you get past three or four key lamas, obviously the Dalai Lama—Nobody ever explained this stuff in a way that Westerners could understand better than him, of course. He was German by birth.

Rubens: Let me freeze this for a minute. We know quite a bit about your interest in Nepal, and your interest in expeditions and the refugees, and now you’re describing the kind of spirit that emanates from these people. The wisdom. The humanistic characteristics. But let me do a devil’s advocate here. How do you square that, and does it matter, with the other part of you? The other part of you that’s a businessman, and that has to understand—or let’s just put it next to it—that Western Europe is highly evolved, very industrial, and until now, China, Tibet, and Nepal haven’t been. Is there something that’s incompatible with—

Blum: No, not really. In fact, the way you manage enterprises and try to—we have never been a “Romneyite.” I have seen companies where we could have gone in and laid off a bunch of people, made them much more profitable, made a lot of money. Never once ever did that.

Rubens: You pulled out some of your investments in China when Tiananmen Square happened, no?

Blum: No. I don’t know. Look, we knew enough Chinese. You couldn’t blame the whole Chinese nation, or even the key officials, for what happened at Tiananmen Square. There were some that were responsible for it. Some of it didn’t want it around. Some of it didn’t want it to happen. To blame the whole Chinese nation for Tiananmen Square is a bit racist.

Rubens: We should talk about your business strategies in China later. What I’m really trying to get at here is your understanding of how cultures evolve. Jared Diamond, in his book *Guns, Germs, and Steel*—

Blum: There’s another book called *Collapse* that he wrote.
Yes. But the *Guns, Germs, and Steel* tries to deal with why Western Europe becomes the engine of modernism, of capitalism, of industrialism, and you don’t have that in Africa and in Asia, until, really, the tech revolution.

I think you almost have to—and why I have an increasing interest in anthropology—understand why certain cultures developed and others didn’t. Some of it is just personal traits. But if you look at most of the successful industrial companies, they came from the north, where you can’t—you could have lived in Tahiti all your life and you never had to do anything. There’s coconuts. You’re not going to freeze to death. You can do a little fishing, and you’ll be fine. But if you were going to survive in a place like Japan or Germany or Scandinavia—there’s a reason that the most successful entrepreneurial, hardworking countries are north of the Alps. It’s called climate.

That’s what Diamond is arguing.

Somebody wrote a thing on—

But Nepal and Tibet are cold.

Well, yes, but you sort of needed something to work with.

You need resources.

Tibet was this big, barren land. There were no seaports. They were isolated. There were not a lot of people they knew to trade with. Having said that, there’s an exception to that, and that was the Mongolians, under a guy like Genghis Khan, who ruled that part of the world. But then you say, what did he really accomplish versus what did he just try to conquer? You can get in a long debate with the Mongolians who think he was wonderful. I have a different view.

Which is?

Look, I can’t tell you what the morals of 1215 should have been, but this guy—the whole rape and pillage and scorched earth prophecies probably came to Genghis Khan when he got to the Bamiyan Valley in Afghanistan because his brother was killed there, and he says, “Kill every living man, woman, animal, and plants.” Plants, too! They did.
Rubens: A scorched earth. I’m trying to get at your reconciliation of this incredible admiration and involvement, both from the humanistic connection and the environmental. Also, one other thing. What about the argument that Weber makes about Protestantism and capitalism? The work ethic deriving from the need to have measurable indications of one’s salvation?

Blum: How many Protestants have they got in China? It’s way more fundamental than that. I think most people, given some education and some glimpse of opportunity, want to do better for themselves and better for their children. A lot of this election we’re going through right now is about that. Why am I a Democrat? Why do I spend so much time with the University of California? Because if you want to basically narrow the gap between rich and poor, you know you can play with the tax code. It will make some difference. At the end of the day, you’ve got to educate people and give them the opportunity. Think of all the people you know about who have started with nothing. I didn’t start with anything.

Just yesterday, I sat with my granddaughter, who is a sophomore at Stanford, and the grandson of my oldest Sherpa friend, Passang Kami, who, when I first met him the year before, he was making ten dollars a month working as an assistant cook for the Indian Army. We traveled together I don’t know how many different treks. He’s the guy who I had with me when we took Carter up to Kala Patthar. PK, as even his wife called him, passed away about eight, nine years ago. It was his five daughters who—no Sherpani had ever been through high school. Maybe not even grammar school. This is back in the early seventies. He says, “Dick, if they don’t get education and they’re not married, they’ll spend the rest of their lives carrying loads up and down their mountain.” I said, “Passang, from today on, your daughters are my daughters. You get them into school. We’ll educate them.” Well, all five of them not only went through high school. Three of them did some college in the United States, and one of them went on to become a dentist, Nawang Doka. She runs the world’s highest dental clinic in Namche Bazaar in Nepal.

So I was made godfather to the family. She has two children. I said, “Well, I’ll take care of the next generation, too.” His grandson just started at USF. He and my granddaughter have been emailing each other for two years. She tried to help him figure out what school to go to. He had never been to this country before about ten days ago. I took the two of them to lunch yesterday. His grandmother is still around. They’re immensely proud of them. This is a guy who used to carry loads. He cooked and so forth. His grandson is in college in the United States, and the kid is a straight-A student, and he’ll amount to something.

I don’t know if I mentioned this before. If you go read Mandela’s book, Long Walk to Freedom, the reason—he could have been just another guy running
around, planting whatever, or farming whatever, or doing what. But his father
died, and the chief of his tribe adopted him because his father had done a
favor for the chief. The chief said, "I want you to get a good education."
That’s why Nelson Mandela had the door opening and the opportunity to
become one of the great figures of the last hundred years.

What we’re trying to do is educate people, open doors, try to help as many as
possible.

20-00:16:18
Rubens: Now you mean through the Himalayan Foundation.

20-00:16:21
Blum: And through Berkeley and through all of the above, really. Some of the
students will go on to do good things. I’m sure we’ll look back—we’ve
already heard some interesting success stories. I’m sure, as time goes by,
they’re going to say, "Hey, I went through your classes ten years ago, and let
me tell you what we’re doing now.” Or we’ll hear about them.

20-00:16:46
Rubens: I bet. I did talk to Maryanne McCormick at the Center about ways of
interviewing these kids who come back from their posts and have them give
testimony to the impact of the program.

20-00:16:57
Blum: Yes, yes. I’m going to Shanghai, Singapore, and then I’m going to Budapest
soon. You say, "What do you go to Budapest for?" The Central European
University, which is funded by George Soros, is part of his Open Society.
What’s it about? They’ve got a couple thousand kids there from all the former
Soviet Republics to teach them about democracy. He said, “Maybe we should
have a program between what we do in Budapest and what you’re doing at
Berkeley, and would you come talk to our kids and talk about doing this
thing?” I said sure.

20-00:17:49
Rubens: Brilliant. You must know Soros.

20-00:17:54
Blum: I know Soros very well. If it wasn’t for George, I probably wouldn’t be doing
it. He’s a very smart guy. By the way, if there’s one person I would listen to
for economic investment advice, it is Soros.

20-00:18:17
Rubens: Regarding your own investment strategy, what’s driving your decisions about
where to go and where not to go?

20-00:18:59
Blum: There were two banks I was most involved with: Korea First Bank and the
Shenzhen Development Bank, which we just got out of last year. Shenzhen is
a good-sized bank headquartered in Shenzhen, which is right across, in China, from Hong Kong.

The fundamental bet on Asia is the emerging middle class, be it in China, India, Vietnam. Even if you’ve got a billion people in these countries, and you’ve got a hundred and fifty million that you’d call middle class. A hundred and fifty million will become two hundred, two hundred and fifty. So a lot of what our investment thesis was about was, okay, we took some of these old, busted banks, made them consumer banks, got the mortgage business going in Korea. You try to mix them with technology. We invest in one company that provides and sells cell phones and equipment in a retail arena in China. All that stuff is booming.

20-00:20:56
Rubens: What drives these decisions? Are you still just looking at the data, or you’ve got a staff that you—

20-00:21:04
Blum: I don’t look at the data much. I never did look at the data much. I listened to the thesis and met the people, and I would read the summary memos. That’s about it. We’ve got all kinds of people around who would crunch numbers, run numbers. I was never a number-cruncher. I was much more into people, more into where should we go directionally. I’d look at the numbers enough to know whether we were crazy in terms of valuation or not.

20-00:21:39
Rubens: You like risks. In a commencement address you gave at Haas, you talk about risk management. That that’s the one inescapable truth, that risk is going to happen, and that, as you say, “But over time, I’ve learned, and my partners learned, how to assess risk, and as a result, we haven’t, in recent years, made many serious mistakes. My advice is to learn about risk and reward early on.”

20-00:22:21
Blum: Yes. One of the things you learn about is risk early on, and you decide whether you want to use leverage or not, and then how much do you want to use if you want to use it. We have those discussions—

20-00:22:34
Rubens: Leverage being?

20-00:22:35
Blum: Debt. In other words, you’re going to buy your house, pay cash for it, or you want to put a mortgage on? If you put a mortgage on it, you’ve leveraged your equity and your house.

20-00:23:22
Rubens: You are certainly a bottom-line businessman in many ways. There are also examples of where you’re saying that integrity is important and—
Of course you’ve got to care. If you don’t worry about the bottom line, how the hell—over the long term, if you’re irresponsible financially, you go broke. Just ask the Greeks.

It seems to me the Tibetans aren’t bottom-line people.

Not really. No. Well, they are in sort of a primitive trading way. In certain areas where there are traders, some of them are successful, but lots of them are just nomads that basically graze the land and feed their yaks.

Is that simplicity something that’s attractive to you? You talk about how important it is—you say this in your commencement address, how important it is to take time out. Not be stuck in business, and have some kind of alternative life. Something that you’re passionate about in your life. Is that something that’s attractive to you about these people, that they are simpler people?

You mean because they’re there and not here? I’ve often said Mallory quoted the reason you climb mountains was because they were there, and my quote is, no, I climb them because they’re not here. I am definitely more than a bit of an escapist. Less so as I get older. It’s harder to move.

You’ve always been a risk-taker. Where did it come from early on? You’ve talked about chafing at the tradition-bound, cautious climate at Sutro.

My first investment, when I was about nineteen years old, I put two thousand dollars or something like that to open the first trampoline center with some friends of mine in San Francisco. Because there was already a hundred of them in L.A., so how could we go wrong if we opened the first one? Well, we stayed in business about four months, and I lost my two thousand dollars. I learned to take risks, and learned about it early on.

When you say that, you mean financially, in terms of business, you’ve always been a risk-taker? I didn’t know if you meant it in terms of your personal life, kind of, or—

Obviously, if you lead an Everest expedition, you’re a risk-taker.

But were you ever a wild guy ever?

I don’t know. I know wild guys. I don’t—
Rubens: I don’t mean drinking and—

Blum: No, no, no. I mean, will I go places most people won’t? Yes. Mountains and things like that. But are there places that others would go that I wouldn’t? Absolutely.

Rubens: Your experience in 1968 is a turning point. You’re in Vietnam on business for Sutro. You see some of the horrors of the war. You go hiking, and are witness the plight of refugees. In one of the earlier interviews you mentioned going to Japan in 1962.

Blum: I was always interested in Asia. A friend of ours worked for Japan Airlines, and they said, “We’ll get you tickets.” I went to Japan, and I went to Hong Kong, and I went to Singapore. I went to Bangkok early on. I don’t know if it was on that trip or not. I can’t remember. I think I did.

Rubens: Just always wanted to go there? There was something about Asia, the Orient?

Blum: But I always want to go everywhere. I started, really, with going to school in Vienna, and then traveled all over Europe, and some over North Africa. That was in 1957. Different cultures and customs.

Rubens: At Berkeley, you’re studying marketing overseas. This is not how I was going to proceed—I don’t want to make you repeat stories you’ve told in previous interviews.

Blum: It’s all right. I’m basically known as a “confuser.”

Rubens: I’m non-linear.

Blum: Oh, yes, totally non-linear. I hate being bored. Always have. I think I told you the story about the San Jose Merc [Mercury] reporter that called me. It must have been over ten years ago. He said, “I look at you private equity guys, you deal junkies, and you all seem to be—you and Warren Hellman, you run things like hundred-mile races,” and I think they were talking about—oh, what’s this other guy? I don’t see him anymore. Who did all this crazy bike riding and so forth. He said, “What is it you guys have in common?” I said, “We’re a bunch of deal junkies, hooked on our own adrenaline.” This part of it, I think, it’s like you’ve always got to be doing something. You can’t stand doing nothing.
Rubens: There are certain things that are particularly inspiring and important.

Blum: One of the guys he was talking about did a lot of stuff that wasn’t particularly inspiring. Look. Most of the guys in the business are interested in their own bottom line. Some of them do it with integrity, and some of them don’t. Hellman Friedman—I don’t know about all their deals, but I’ve known Warren all these years. I know what he did. I also know what he wouldn’t do. I’m just saying, Hellman Friedman, as far as I could tell, was that way, too. But there’s a lot of other ones around that don’t have their kind of—

Rubens: Bain Capital?

Blum: I don’t know enough about Bain Capital. I actually think Bain had, from a distance, very much from a distance, a reasonably good reputation. That doesn’t mean that I know about all their deals, and that doesn’t mean that they didn’t close down factories and throw people out of work. But we never did any of that.

Rubens: To get back to your teacher at Berkeley: did you visit him when you went to Asia?

Blum: Choh-Ming Li. When he left Berkeley, he went over there to found the Chinese University of Hong Kong. He used to have an office on Nathan Road for years before they finally got the university going. Those days, I didn’t get there as often, but every year or two, when I went there, if he was in town, I always went to see him. He was a wonderful, extremely bright human being. I actually even think it was in the family. His brother got a Nobel Prize in biophysics, or some damn thing.

Rubens: Now, Sam Yao, is that—Y-A-O? Chinese?

Blum: Yes.

Rubens: Where did he come from? He was with the National Education Corp.

Blum: The CEO wasn’t cutting it. In fact, the CEO was basically not telling the truth about a bunch of stuff. We had to fire him, and then we found Sam. Sam turned the company around.

Rubens: Did you know him before?
No, I didn’t know him. Somebody else brought him in. I forget who it was. He was there for a couple of years and took a three- or four-dollar stock, and we sold the company for twenty-two, and thank you very much.

When I asked you about your business, about who’s driving things and partners, you’ve written about the importance of David Bonderman.

I got to know David because the Bass brothers, particularly Bob Bass, were one of our first limited partners. David, back in the eighties, was the managing partner for the Basses, managing their investment funds. That’s how I got to know David. We worked together on some companies like Taft Broadcasting. Then he and Jim Coulter founded TPG. At some point, about fifteen years ago now—maybe longer—I had the idea of starting the first private equity fund in Asia. Rather than just doing it ourselves, I said, “David, do you and the guys at TPG want to partner with us?” That was the beginning of Newbridge Capital. It ran for ten years, and our returns were 28.6 percent.

Wow. Who’s putting into the equity fund? How are you finding people for that?

They were multibillion-dollar funds at the end. The first fund was a hundred and fifty million. I think fifty came from Bank of America, fifty came from us and friends, and fifty was supposed to come from Lehman Brothers, but wasn’t. I think AIG put in some. I don’t remember where the other—

It’s not Asian investors, though?

No. People don’t realize that AIG actually started over a hundred years ago in Shanghai. Hank Greenberg, the guy who took a little insurance company, founded it in Shanghai, grew it into the current AIG, and made a success out of it until he got in a huge fight with the governor of New York State, who then got thrown out for playing with girls. Spitzer.

I like the profiles of businessmen who influenced you, in your first autobiography manuscript, Out of Business Experiences. Do you have any books that are models for you? For instance, Lee Iacocca’s memoir. You’re shaking your head no. It was so popular when it came out. Your life story is inherently interesting and important, and tells us a lot about a lot of things. But what’s going to get people to read it? What is the hook?
Blum: Thank you. I rarely read these books about guys in business or finance. I know the stories. They’re boring. I don’t find them interesting. I read slowly and I read to learn. My wife, she goes through a book in two nights, and it’s just this leisure reading. I’m reading this, like, thousand-page book on the history of Jerusalem. It’s really interesting, but it’s slow going. I learn a lot. I read all these books on Tibet. I read a lot of the stuff from high lamas. A lot of that’s interesting, a lot of it’s boring. A lot of it’s repetitive. A lot of it I don’t believe in.

Rubens: This is another left-field question. Would you use the term spiritual to describe yourself in a way?

Blum: Yes. I think being spiritual is a good thing. To me, it connotes values, it connotes caring. I think you can be spiritual without being tied to a religion, if you know what I mean. I don’t think I’m really particularly tied to religion. I respect them all. I like the Buddhist approach to this stuff better than others, but that doesn’t mean that Moses didn’t have good commandments that he brought down from the Mount, or—Jesus had a lot of good things to say, but I’m less than convinced that he was the son of god.

Rubens: Aspen is certainly a conducive place to consider the larger questions in life, to engage with world-changing ideas. You may have talked about this earlier, but in this context, why did you choose Aspen?

Blum: There was the Aspen Strategy Group already going. Dianne was part of it. We have a house in Aspen. I figured in the middle of the summer, you would have better attendance if you had the meeting in Aspen than in Philadelphia or Washington. Everybody likes to go to Aspen during the summer, given the opportunity. So we don’t get a lot of turndowns.

Rubens: Yes, you mentioned the Aspen Strategy Group in an earlier interview. I was going to ask you if the Aspen Institute was an influence when you formed the Brookings Blum Roundtable on Global Poverty? That was in 2003.

Blum: No. The idea was developed pretty much by Strobe Talbott, who runs Brookings, and myself. Walter Isaacson, who runs the Aspen Institute, was in and out of it. Now, actually, the Aspen Institute is pretty much a partner in what we’re doing again. By the way, the other participant now is Gates. I wound up with Brookings, who puts up no money but scholars, the Aspen Institute, who hosts what’s now known as the Madeleine Albright lectureship—well, it’s not really a lectureship. It’s a one night dinner thing. The speaker was Rajiv Shah, who is the head of AID. Then we have our
program for three days, and then you have the Aspen Strategy Group, which has been going for over thirty years, run by Brent Scowcroft and Joe Nye, that follow it. I’m co-chair of one, and carry my purse to the next one. Actually, I like the one where I carry—

Rubens: How do you stay on task? How do you know what you’re doing? I’ve seen the structure of all these organizations. You’ve got to have an ordered mind that can—

Blum: Not necessarily. Got to go with the flow. It’s gotten to the point where we hate our schedules, so we never look at them in advance. I get up in the morning and say, “Maybe I’ll look the night before, so this is what I’ve got to do tomorrow.” Which is a bad way to handle it, but it’s increasingly moved in that direction.

Now, I have another appointment I’ve got to get to!

[Organizational discussion omitted]

Rubens: By the way, how did you guys get to Bob Shrum? He commits to being a political consultant when Dianne ran for governor, but then—

Blum: I can’t remember how we got to Shrum. We came to parting ways with Clint Reilly, and I said, “Where do we go?” Maybe it was—I haven’t talked to him in years—Larry Horowitz, who is a doctor. Anyway, we went with Shrum, and Shrum basically jumped to the other side. One of his partners, Bill Carrick, left, and he started his firm around Dianne’s first campaign.

Rubens: Shrum, we didn’t talk about. We talked about Carrick last time.

Blum: There’s nothing to talk about with Shrum. He was going to do it. Then he decided Dianne didn’t have a chance, so he went and ran John Van de Kamp’s primary campaign against Dianne. Dianne was out eighteen points with two months to go and won by twenty. We kicked Shrum’s butt.

Rubens: How did Shrum come to have something to say about your commencement speech?

Blum: What happened years later was, I had a handshake with Shrum that he was going to run Dianne’s campaign. At some point, I said, “Bob, don’t you want to put something in writing?” He said, “No, your word is good for it.” Then the next thing I know, under pressure from his wife and others, he said, “Look,
Dianne has no chance here. Van de Kamp is going to be our next governor.”

The next thing I know, he’s running Van de Kamp’s campaign.

I was beyond furious. I, for years, referred to him as Bob Scum. We had enough friends in common, he knew I was really mad. A couple of years later, we wound up being at some dinner, and said, “What are you doing?” I knew he was a speechwriter. I said, “I’m trying to put this commencement address together for Berkeley.” He says, “You want me to look at it?” I said, “That’d be great.” So he took, basically, the message that’s in there—I had it there, but he turned it into poetry. He turned it around in two or three days. This whole story about when I came out of school, there were certain inalienable truths, that General Motors was the largest corporation in the world. U.S. Steel and Bank of America were enormous, and that change was glacial, if at all. But that’s no longer the case today. You’ve got to take a risk no matter what you do, so I encourage you to try and take a risk early on—

Rubens: But you’re saying some of that’s—

Blum: Risk, in the end, is maybe the best teacher of all. I thought those things, but I’m now repeating those words that are in there. They came from Bob Shrum, but we don’t need to give him all the credit for it.

Rubens: Last thing. I promise I’ll let you go. Off tape, you talked about your reconciliation with Reilly. I thought we might as well get that on tape. He has become a good friend, and he’s doing an event—

Blum: Years later, Clint had, early on, a pretty violent temper. In fact, he wound up getting in a fistfight with the managing editor of the Chronicle—


Blum: Phil Bronstein. I almost got in a fight with him, too. Evidently, they got in a fight. I don’t know, Phil broke his leg or arm or something, and sued Clint and won. Any rate, Clint got out of the business, started investing in real estate. By the way, you never saw Clint with the same woman. I thought he didn’t know how to get along with women. Then he wound up finding Janet, who is a lovely woman, very smart. As far as I can tell, they’re happily married. They have two kids. He started buying real estate at the right time, so Clint today is a well-to-do guy. He basically, I think, wanted to patch things up, and now he’s, in a couple weeks—he was in here yesterday—going to do a fundraiser for Dianne. So it was one of these things where it was kind of bad news. Dianne didn’t talk to Jerry Brown for years, for god’s sake. A lot of stuff gets forgotten.
I thought that was worth recounting.

A relationship comes back together in a different way. I wound up being Catholic Charities Man of the Year, [Catholic Charities Loaves & Fishes Outstanding Philanthropic Works Award, 2006] and it was mainly because of Clint Reilly. [I had done a lot of things for a father at USF; I had worked with the Archdiocese of San Francisco and on a Vatican world conference. Dianne had a history of working with them.]

Oh, that’s great. All right, I’ll let you go. By the way, did you see Jennifer Granholm give her speech at the Democratic Party Convention this summer?

I didn’t know she was there and I missed her speech, but I heard it after. I said, “Jennifer, what were you drinking?”

She was on fire.

I said, “You were kind of milquetoast, weren’t you?” She was going nuts. She does a program on Current TV, and it’s called the War Room. She’s on weekly. She’s tough and she’s good. Pretty reasonable. But I’d never heard her—it’s never that kind of red speech. I go, “Wow, girl. Where’d that come from?”

Were you there for Obama’s speech?

No, but we were there for Clinton’s speech. We decided if we left at four o’clock in the afternoon of the day of his speech, we could be home in San Francisco in time to see it. We were there for the vote. Dianne was co-chair of the California delegation.

I’ll see you when you’re back from your trip to Asia and Europe.

I’m anxious to keep this thing going. You have inspired me. By the way, if you’re reading Yates or Churchill or Gandhi or whatever, and you trip across something, write them down and we’ll look at them.

I want more of your voice. As in the introduction to the Himalaya book.
That was, I thought, sort of interesting. You said how long did it take me to
write that thing? Less time than we’re sitting here.

It just came out? Poured out?

Exactly. Exactly.

I think you’ll be able to do that in your autobiography. You’ll be able to comb,
just kind of grab the pieces from the book and know how to give it a shot in
the arm. I think that’s what will happen. I’ll be glad to give it some thought.
Rubens: By the way, what did you think about the profile of Dianne in the *Chronicle* this past Sunday? [“Sunday Profile: Dianne Feinstein,” 10/21/12]

Blum: That was fine.

Rubens: But I wonder about the attribution ‘imperious’. It said she’s imperious and warm; charming and intimidating—maybe to some people. It also said she was a perfectionist.

Blum: Yes. All those descriptions are true.

Rubens: Imperious? What is imperious?

Blum: She can stare you down if she doesn’t like what you’re saying. You want to call that imperious? Well. It’s not necessarily a bad thing.

By the way, I saw Hadley Roff at a fundraiser for Dianne. He was thrilled to have his oral history taken. So that’s great. Even though he’s having trouble walking, his mind is there, and he’s got great stories. He’ll really be good. When are you going to start with Hadley?

Rubens: Soon. I’ve already had a meeting with him to plan the interview. I think next time I’ll have your manuscript printed out and we can look at it together in order to make corrections or additions.

Blum: Oh, yes, have it all put together. Okay, great. Thank you.

By the way, I don’t know if it will be of use to you. Last Thursday, Wednesday night, I red-eyed to Providence, Rhode Island, and spent the day with the Dalai Lama. It was the fortieth anniversary of my meeting him, and we put together a scrapbook of just pictures back then. I even have the original telegram confirming our meeting. Spent most of the day with him. It’s just a one-pager that describes the influence he has had on me over the years.

Rubens: So this oral history, episodic as it is, has covered a lot of your history: your family background and education; the first twenty-plus years of business;
covered your involvement with the university and the Blum Center. I think we’ve together covered what the Himalayan Foundation has been to you and what your philosophy is in terms of how the Himalayans, the people, have influenced you. I’m thinking that maybe, to tie the bow on this, that we should come back to the last ten or so years of your business. Oh, we’ve also talked quite a bit about politics and your involvement with Dianne, and some about issues having to do with conflicts of interest.

21-00:06:09
Blum:

All of which were total nonsense. You’re living proof nothing ever came from anybody and nobody other than political opposition or some newspaper guy taking a shot at you, which is inevitable.

21-00:06:23
Rubens:

I’d like to talk to you about some of those shots later on. These interviews can be a place to clear the record. You of course are always attuned to business opportunities. You have called yourself a deal junkie.

21-00:06:36
Blum:

You got to understand I don’t do too much of that anymore. If you understand one thing, all this has been driving to the point where I, some time ago, said, “Enough is enough.” I want to keep the business going at a certain level to pay my bills, but more importantly to continue to have more money for charity. That’s it. That’s why I’m here. Am I happy to do some other deal? Yes. Is it what drives me anymore? Zero. It’s about helping fund charities. It’s not about my trying to be a big shot in the deal world.

21-00:07:29
Rubens:

How would you say you’re leaving the business?

21-00:07:34
Blum:

I’ve got partners who are bringing in some newer ones. We’re starting a real estate services fund. I hired the guy who ran J.P. Morgan’s real estate investment banking for twenty years. Team of sixty, seventy people. We’re hoping Murray McCabe will come in to handle real estate. Originally, J.P. Morgan was going to be our partner in doing some of these things. With the new rules, they couldn’t do it, but Murray, who had been at J.P. Morgan for twenty years, said, “Hey, I’d like to start a new career and do this with you.” The guy who has very successfully run CBRE, Brett White, was CEO for six years now, maybe longer, who I talk to constantly, and I’m kind of like his uncle, has also decided that enough is enough with the big institutions. He’s running a $6 billion company. There’s some reasonable probability that he will join us in January. These two guys, who are superstars, who run big organizations, will be here and will be out to create a new fund that they essentially will run. My idea is, if that works, they will be the next generation of people running this. I’ll keep an office here and an office in Berkeley. Now, we’ve got a lot of work to get to that point, but—
Rubens: You’ve got a plan.

Blum: I have a plan. I’ve got two and a half years before I’m eighty years old, and I want to put the title “Emeritus” around “Chairman of Blum Capital” and let these guys run it. Frankly, if it’s working well, I will be able to spend more time on the Blum Center.

The Blum Center at Berkeley is expanding. It’s almost like an explosion. It is growing so quickly. It hasn’t been officially announced yet, but we have something that I would never believe we would have gotten; the $30 million contract from AID to spend over the next five years for innovation. We didn’t even ask for it. We didn’t think they’d fund anything like what we’re doing. But because of what they saw at our Brookings meetings, where we had Berkeley involved, they said, “We like the idea of innovation.” We’re going to get past just cook stoves and ultraviolet water systems and cell phones. We’re going to continue to expand all those things, but we’re beginning a discussion with a lot of the tech companies down there, whether it’s Google or Twitter or some of the other ones, and saying, “Look, we actually have some money now. We can be your partner. What is it that you can do for the developing world?”

A number of the new foundations that have started down there are often by people who founded one of the companies. They’re not your old, traditional foundations. They’re very interested in this kind of stuff. We think it’s expanding. Discussions, like this Friday, you say, how can we take a lot of what we’re doing, also tie in things like the law school, all around Burma? It’s not only just innovation stuff. How do you help them establish democratic institutions? George Soros is going to do the same thing. I think the Central European University in Budapest, which I don’t know if I talked about this before—

Rubens: You mentioned you were going—

Blum: No, I was there. They were very interested in doing something. They have a really good team of people there. I met with the faculty. I spoke to the students. I have to go to a meeting in Qatar, in Doha, the sixth of December. George Soros is going to be in Budapest, and I’m going to go spend a day or two with him coming back from there. So we’ve got stuff cropping up all over the place, and we’re—

Rubens: What percentage of your time are you involved with this?

Blum: If I could do it, it would be almost full time. I can’t quite do it, but—
Rubens: Because you—

Blum: I can’t just let this business fade away. Then there’s the American Himalayan Foundation. There’s all the political stuff. We have good people over there, but we need more good people. They’re coming along. One of the persons you ought to interview about this is Shankar Sastry. Shankar is the brains. He is dean of the school of engineering. He is the key dean for our center. He’s the guy you want to talk to. You can talk to Maryanne, and you ought to absolutely talk to Laura Tyson. There are also two key faculty people, Ananya Roy, and I would talk to Bob Reich. Bob is also a lecturer and a director. I am speaking Thursday night at a dinner at the Goldman School of Public Policy. They want to understand more about our center and how we can work together. Bob is an adjunct professor from the Goldman School, but he teaches in our thing. So we’re looking at all kinds of new ways to do this stuff.

Rubens: Why not document what’s happening right now?

Blum: I wish you would, because it’s not only good for this, but my guess is Maryanne and others could use it, because what you may ask—and you can figure out how, the economics of this thing gets paid for—you might just say, “Okay, look, I’m going to interview you, and I’m going to interview a few of these people.” She might even want you to talk to one of the students, what it means. Do you want this thing to morph into another document? Because people are beginning to say, “Gee, we should start putting this thing together.” We’ve been going six years. We’ve had 7,500 students. Jerry Roberts, who unfortunately is quite ill, but he’s up at UCSF, who used to be one of the managing editors of the Chronicle, Jerry says this should be a front-page story in the New York Times. I said, “Well.”

Rubens: Has there not been coverage in the Times?

Blum: I think it’s going to change within a month, because they’re going to announce this Center for Innovation at AID after the election. They’re also going to announce a global development council, which was something also I recommended to the president three years ago. I think they just wanted to get the election behind them before we did this stuff. I think there will be, obviously, a lot more publicity, because one of the meetings is a big high-five at the White House.

Rubens: Maryanne, she came in from the beginning?
Blum: Yes, almost from the beginning. Maybe a year or so in. Maryanne is more than just an administrator. She is smart. She’s a lawyer. She and Shankar had basically put the proposal together that got the AID contract. So she matters. There are two other deans who know a lot about what we’re doing. One is Chris Edley. The other is Rich Lyons. I am, again, after four years, chairman of the Haas Advisory Board. I didn’t really want to do it. Rich asked me. I said, “Rich, I don’t have time for it.” He says, “It’s three meetings a year.” Famous last words. I pulled out this plaque and I said, “You do realize I had this job before?” It was forty years ago, in 1972.

Rubens: Is that right? I should know this.

Blum: Well, why should you know it? Nobody else does. I found the plaque somewhere. If you ask me where it is, I don’t know.

Rubens: You mentioned that Lyons would have made a great chancellor, but he’s not interested in that position.

Blum: No, I actually think they’ve made a decision on the chancellor. I have met the guy, and I like him. He’s from the outside.

Rubens: So there are many exciting developments at the Blum Center. That’s where your heart is.

Blum: If this were a for-profit company—this thing is exploding. You could be at all ten campuses within a year. You could be at Hebrew University, could be in Budapest, could be in—I don’t know. For all I know, we’ll be on Mars. Then this whole ability to have that kind of money to think through innovation opportunities opens up a whole new world. When I did that, we had a lot of the social network types at Aspen, and I said, “What is it that we should know about that world that can be morphed to be helpful to people in developing countries?” So we’re just beginning to look at it.

[Interruption]

Rubens: While you were gone, I walked around this conference room. There are so many acknowledgements and awards. One is a thank you from Clinton and Gore for serving on the National Finance Board in the most successful fundraising effort ever. What was that about?
Excerpt from a conversation:

Blum: Excuse me. That’s what they call the Campaign to Reelect Clinton and Gore. So anybody that probably gave them over ninety-eight dollars and thirty-two cents got one of those things. It sounds like a big deal. I don’t know what I gave them or what the limits were, but that was—

Rubens: I thought this was an advisory board.

Blum: If it was, I never walked the plank.

Rubens: So in the vein of national perspective, should we talk about the 2008 financial collapse? Certainly your perspective as someone who has been in real estate so deeply. I know you’re not about lending or home mortgages—

Blum: Please understand, I haven’t been in real estate so deeply. Just because I’m a chairman of the largest real estate services company for ten years doesn’t make me an expert on real estate. Yes, I know a fair amount about it. Basically, I build companies evolving around a strategy, putting people in the right place, and so forth. I probably have the perspective on what really triggered most of this, which was residential real estate. CBRE is not in that world.

The problem really was with these subprime mortgages. The way they were put together and sold without supervision, then taken to some major investment banking house who syndicated them, sold them to a lot of people, got in many cases sometimes a double-A, triple-A, rating, to only—you wonder where the hell the ratings services were—to only have them fall apart and go into default, and people lose their money. What really annoyed me about that is that they were unregulated. If you wanted to sell somebody a hundred shares of General Motors, you had to be a registered member of the New York Stock Exchange. In order to talk Mrs. Jones into a new mortgage on her house, you didn’t have to do anything. You could just say, “I’m the XYZ mortgage company.” You get them to do that, and then you would run to your bank, whether it was Washington Mutual or Golden West or Wells Fargo or whomever, and then they would put a whole bunch of these things together, underwrite them, and the idea was, because it was a diversified mortgage, that you would be okay.

Until the whole thing blew up. Fifty years before that, the prices of homes really never, in the aggregate, came down. So when they came down, they really came down. My view is not only was it Wall Street greed; it was the unbelievable lack of oversight by the regulatory community. I know—I don’t want to mention anybody’s name, but very high up in all this—in conjunction with the Fed that said, “One day we found out that the subprime mortgages...
were in fact 14, 15 percent, not half that.” So the obvious question is, “What did you do about it?” I was so polite waiting for the answer. I never got one.

Finally, if you read the book *The Big Short*, there was this kid in med school down at Stanford who, at two, three in the morning, figured it out, that you didn’t need home prices to go down to have a default. That with the low end of this stuff, if they didn’t go up 6, 7 percent a year, and they could refinance to pay their current interest, that they were going to go under, and they did. I have a unique, certainly arguable view on this thing. There’s a difference between macroeconomists and microeconomists. The macroeconomists, who tend to run the Fed, don’t look at the micro. They’re not out ringing doorbells and finding out what’s really going on. You’re in a place like Las Vegas, let’s say, or Phoenix, Arizona, which is turning down. These people are not going to have jobs, and then they’re going to not be able to pay their mortgages, et cetera. It’s then going to compound itself, because the more people that couldn’t pay their mortgages, the more houses that were going to be for sale, the lower the prices would go on the homes. So you have, in certain places like Arizona and Vegas, maybe some places in Florida—

21-00:29:20
Rubens: Some in California.

21-00:29:22
Blum: Yes, probably Riverside. San Bernardino. I don’t know if they went down quite as much, but yes. Look, you’ve got two cities around here. You’ve got Stockton and Vallejo went through bankruptcy. But that was going to happen. There was naiveté in the Fed that, well, you didn’t need to watch over it so much, because banks are not going to lend any money they think they’re not going to get back. Well, what they weren’t focused on is the banks weren’t keeping the loans. They were just like investment banks. They put it together, sell them to the public, and move on. My belief is, when they do this stuff going forward, that they need to keep a percentage of it themselves, so they may think twice before they want to underwrite a deal.

21-00:30:19
Rubens: That’s what I want to get at. What about the culpability of places like Goldman?

21-00:30:28
Blum: It is amazing to me. Fine, they’ve lost money, this, that, and the other thing. What is amazing to me is that not one single person has gone to jail, has even been indicted.

21-00:30:43
Rubens: That’s right.

21-00:30:45
Blum: A lot of this stuff was definably sleazy, but maybe not illegal, although some of the things that I’ve heard about certainly sound like fraud to me. I don’t
think there’s any love at the Justice Department for these folks, so if nobody’s been sued, there must be a reason for it.

But it pulled down the economy. There’s no question about that. Did your businesses suffer—

Oh, yes. The whole world suffered because of it. You haven’t had that kind of blow-up since 1929. If you didn’t have TARP and—that protected a lot of these banks. When Lehman Brothers went under, then there was a run of the bank. You knew it was going to happen. Two banks that were in trouble, but their deposits were steady, were Washington Mutual and Wachovia. Within two weeks after Lehman Brothers went under, they both went under.

Were they the same?

No, they were different. At the end of the day, Washington Mutual got bought by J.P. Morgan. The Chase part of J.P. Morgan is the old Washington Mutual. Wachovia, when they went under, Wells bought them, and, in one moment, doubled the size of Wells Fargo. When you’re east and you see all these branches that say Wells Fargo, they used to be Wachovia.

I think I told you that Warren Hellman was so outraged about Lehman going under, whereas other firms were saved.

There was some question whether you let Lehman Brothers go under or whether you let Merrill Lynch go under. It was decided that last weekend, in fact, guys at Lehman thought they were going to let Merrill Lynch go under. Instead, they forced Merrill Lynch to be merged with Bank of America, and let Lehman Brothers go under. I would have agreed with—well, Warren probably was upset because he had been at Lehman Brothers at one time, and the family years before. I don’t know whether they did anymore or had any interest in it. Dick Fuld, who was the head of Lehman Brothers, what he did was totally out of control. But you could say that about the guys that ran Merrill, about the guys that ran Goldman, that ran Bear Stearns.

So you weathered it, and—

We were never in any of those businesses.

I wrote down something, that you’ve done work with Goldman.
Blum: No, we—

Rubens: No?

Blum: Well, you do business with most of these people, but we did very little work ever with Goldman. Look, you want to take something private, you go talk to all these guys. The one we do the most with is J.P. Morgan. I used to be close to the guys at Bear Stearns. We had Lehman Brothers take Northwest Airlines public, and we did a fair amount with Credit Suisse. I think it was CBRE.

Rubens: Did you have a particular interest in airlines?

Blum: Yes. We did okay with Northwest Airlines, but then a couple others bought what used to be DHL Airways. It’s just a package carrier that flies DHL’s packages around the United States. DHL is owned by Deutsche Post, the German post office. A foreigner cannot own an American airline, so that’s why we own the airline that simply picked up packages in forty different cities, took them to Cincinnati and reshuffled them and sent them out again.

Rubens: I just didn’t know if you had aviation—

Blum: I was on the board of Northwest Airlines for fifteen years. I’ve had planes for fifteen years. But I don’t fly.

Rubens: In your first draft autobiography, you discuss someone you became very close to who was with at Northwestern.

Blum: That was Gary Wilson. We have been friends, almost went in business together over forty years ago. He had been at Marriott and Disney, and then wanted to do the Northwest buyout. Asked us if we wanted to be partners, and we wound up being his partner when we bought it. That was 1989.

Rubens: I have a few more questions about business. I think you gave a nice wrapping-up statement when you said you’re trying to structure this so that you have these big guys who are taking over, and you want to channel your interest towards the—

Blum: Yes. With some of the people in the investment world, enough is never enough. I actually believe that once you have taken care of your family, and obviously they’re well taken care of, then, as much as you can, you ought to
devote your efforts, if you’ve got a sensible way to do it, to those who are less fortunate. That’s what I’ve done. I’m pretty happy about it. And lucky, by the way. Everybody is healthy. My wife has had a distinguished career, put it mildly.

21-00:37:35
Rubens: And her reelection seems inevitable.

21-00:37:40
Blum: Even my wife, who can worry about almost anything, is not worrying about getting reelected.

21-00:37:48
Rubens: I suppose she’s worried about Obama.

21-00:37:50
Blum: Well, we’re all worried about Obama.

[Interruption]

21-00:40:40
Blum: Erica. Have you talked to Erica yet?

21-00:40:43
Rubens: No.

21-00:40:43
Blum: Erica runs the American Himalayan Foundation. She has been through some heart surgery. She’s in and out of the office. She knows you’re doing this thing. You should talk to her. Because the reason the American Himalayan Foundation is a success—obviously, I’ve had a fair amount to do with it. The number two person is her. She’s really good at this, because I’m out there with a million ideas, disorganized, and she’s totally organized. She’s been running the foundation for twenty years. The other one is Norbu Tenzing, who has been there for nineteen. They’re both downstairs.

21-00:41:25
Rubens: How did you meet Erica?

21-00:41:29
Blum: Erica’s husband, who unfortunately passed away, Gil Roberts, was one of our original directors and was on the 1963 Everest expedition. When we started the foundation one day, the woman who was running it wasn’t doing a good job, and Gil said to me, “Hey, you should hire my wife.” That was two strikes against her, because if this guy’s wife can’t find a job anywhere else, he’s got to go find his wife a job. I almost didn’t want to talk to her, simply because, what if I hire her and I don’t like her, and Gil is on the board? She came here and I said, “Why don’t you work two, three days a week for three months as a consultant?” So if it didn’t work out, it wasn’t like I had to hire her. The woman who had been running the place was so intimidated by Erica, at the
end of the first week she resigned. I said, “Well, Erica, I guess you got the job if you want it.” That was twenty years ago.

Rubens: That’s a good idea. How did you decide to write an autobiography?

Blum: No, no, no. Let me tell you what it is. There was a guy from one of the big publishing offices. If you name the three or four top ones, you’ll name it. Who somehow came across me. This is when they were writing all these books of how to make money in investing in the stock market and so forth. I don’t know how he knew about me. He said, “I have a sense that your approach to growing a nonprofit and doing this stuff in the Himalayas is very similar to your approach to building business for profit.” The truth of the matter is I hadn’t thought much about it, but the more I thought about it, I said, “Yeah, you’re probably right.” He said, “I think you ought to write a book.” At the end of the day, what they really wanted was a book about, if you understand how I grow businesses and work in the Himalayas, this too can tell you how you can be a financial success. I didn’t want to write one of those books. But that’s what it was about. I said, “Okay, I need somebody to help me write this thing.” The thing just died almost like this. Okay, I’m willing to do it, but I never have time. As I said, I barely read a book, let alone have time to write one. So finally, somebody could do this. It never happened.

Then, years later, Rich Paddock, who had left the L.A. Times—a lot of people over the years have said to me, “Hey, you’ve got great stories. You ought to write them.” I said, “No, I don’t have that kind of ego.” I see these people writing books, mail out a thousand to friends, and you don’t know how many are ever sold or ever read. I just got this new book that I started reading from Madeleine Albright, who I love dearly. It’s called The Prague Spring. I’m about two chapters into it. Maybe gets better. I don’t know. I said, “Unless it’s really good, I don’t want to do it.” The other thing is to just take this and say, “Fine. We’ll make ten copies of it for grandkids, and see you later.” The purpose of it is, yeah, okay, you want it documented for your grandkids, great-grandkids. The purpose of it really ought to be to say, okay, yes, I was successful in business. A lot of the business principles I’ve applied to the university, applied to growing these businesses in global poverty. Why I care about poverty issues and why people growing up should care.

Then when Richard Paddock came on to this thing, I said, “Look. I don’t need a Richard Blum book. But if the story of how I started and how this developed, its primary purpose is to encourage young people to try and do the same, then I’m for it.” He says, “Let’s do that.” I said okay.

Rubens: To “do the same” means?
Try to do what I’ve done.

Take risks—

No. Really more to figure ways to devote a fair amount of your life to helping other people. That quote of Dalai Lama says it all, which was what he said down at Stanford. He said, “Look, you can be from one of the three faiths, as opposed to religions, which are Judaism, Christianity, and Islam. You can believe that the good that happens on earth is because of the almighty, or you can say, look, if the purpose of being here is to lead a happy life, then you’ll get there if you have a genuine concern and compassion about others. I call that secularism, and I’m a secularist.” That’s it.

That’s your opening.

That’s it. That’s the whole story.

Do you have a working title?

I think I named it originally Out of Business Experiences.

That’s only part of your story.

You can always find a catchy name. Maybe that works. I don’t know. The end of the day, I almost don’t want the word “business” in the title. That may have been okay with me twenty years ago.

Sure. You didn’t have the Blum Center and—

Didn’t have the Blum Center. Didn’t have Brookings. We’ve done a lot of stuff before, but we’ve never had anything anywhere near as explosive as what we’re doing now.

Of course you’ve had the Himalayan Foundation for years. I meant to ask if there has been an association with the Asian Foundation?

The Asia Society, yes. Asia Foundation—oh, we did a project with them, must have been twenty years ago, with Ed Hillary, where one of the things they do
is a lot of these publishers will send them books that they can’t sell. We took a bunch of the *Time Life* series of the oceans, the seas, the mountains. They gave them to us and we distributed them to, I don’t know, about twenty-some-odd Sherpa schools up in the mountains. But other than that, not really. I used to know the guys that ran it. I don’t even know who runs it anymore. I did help them one time get back into Nepal, because they got thrown out because they were suspected of being a cover for the CIA, which, in fact, they were.
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Since we’ve met, there’s been a new chancellor chosen to run UC Berkeley [Nicholas Dirks] and a new president for the university system—Janet Napolitano, who is the first president to not come from an academic background. I’d like your reflections on both these selections.

And since we met, Jerry Brown called to say he would be reappointing me to the Board of Regents. [Blum was appointed for a second term January 17, 2014.]

You’ve been a regent for the past twelve years, playing a prominent role in tackling major issues, particularly financing, through a period of major change in the funding of the university, as we’ve discussed. Are you interested?

I won’t hang in for twelve years, but it’s a twelve-year appointment. That would be twenty-four years on that board. That will make me crazy.

At some point, you said it’s one of the things you really—

Well, I like being a regent. I don’t particularly like the board meetings.

Now I really don’t want to talk about people who were candidates who didn’t make it. But I’m happy with Dirks and I’m happy with Janet. I think they’re both good choices.

Is there a story at all to say about how Janet was picked? Of course, the board voted unanimously, but was there any contention before she was named?

We went through a process. Not everybody in the world was interested in the job, because the five years Mark was president, he went through hell with budget cuts, and labor issues, and necessity for tuition increases, and God knows what else, and then he had his own health problems. It’s not a particularly well-paying job, considering it’s a $24 billion institution. The combination of Prop. 30 passing and the economy turning around in California, things have stabilized. The university will get no less money, maybe a little more money, so we probably don’t need any serious tuition increases. You have, in the president, someone with very good management capabilities of a large enterprise, namely Homeland Security, in Janet. She’s
been governor of Arizona, reelected. A Democrat in a very red state. She’s a good lady, hands-on. I think she’s going to do a good job.

I think Dirks is going to do a good job, too. I’m happy with both choices.

Rubens: Don’t milk that anymore. Is that—

Blum: There’s not much more to say.

Rubens: It was an unusual choice, Napolitano.

Blum: For me, I didn’t think it was so unusual, because somebody asked me, “What do you think we need in terms of educational standards for the president of the university?” I said, “A high school diploma.” It used to be, if you were a Nobel Prize winner, you’d get these jobs. It didn’t mean that you knew how to manage anything. This is a big enterprise. It needs to be well managed, and she’s a proven manager.

Rubens: You were appointed originally in 2002 to be a regent. You became chairman of the board in 2007, and you wrote a very forceful piece. “We need to be strategically dynamic.” You had said that UC was operating “within an outmoded and dysfunctional set of organizational structures, processes, and policies.” That the fundamental problem was substituting motion for progress. Have we solved some of these problems?

Blum: Some. You know the old story about trying to turn an aircraft carrier around? Well, think of something bigger than an aircraft carrier, and then you begin to think about the university. I would say it’s better run than it was.

Rubens: It’s certainly been streamlined.

Blum: Yes. Let me put it this way. It’s one thing to streamline something. The other thing is to just cut. The question is whether it’s been downsized sensibly. In a lot of places, I’d say yes, and some places it hasn’t been done terribly well. I think it’s been done pretty well at the Office of the President. It went from two thousand employees down to maybe eleven, twelve hundred. It can still go lower. It’s run much better from an operational and financial point of view, a thousand percent better, than it was back then.

When you get out to the campuses, Mark had a philosophy that you appoint somebody a chancellor, you let them run the university autonomously. The way I would do it, it would be different. I would think that the chancellors
would be sort of like division managers. Under our rules, you can’t tell
anybody what to teach, but you can tell them how to run things. You can tell
the people at Berkeley that you don’t need HR departments reporting to HR
departments, and that there was too much process and too many committee
meetings and all that sort of stuff. What I think you find is that some
campuses are better run than others. There has always been a push to make
them run better. I don’t know how well the message has been received or
promulgated. There are some cases where chancellors really weren’t cutting it,
and they were asked to leave, or asked to leave early. I would say, by and
large, the chancellors we have today, they’re all pretty darn good.

Rubens: In terms of making the campuses run more efficiently, is that something that
you’ll be working for once you’re—

Blum: That’s a neverending task, because if you think about it, the class sizes have
gotten too big. Your faculty is, by and large, underpaid. What you want to do
is emphasize education, and to the extent that you can do it with less overhead,
you should do it. I remember, back then, some brutal conversations where I
said to the chancellors, “If you’re not willing to cut your overhead, you are
responsible for the tuitions going higher to pay for your inefficiencies.” They
didn’t particularly like that.

Rubens: I can imagine. Where do you think that discussion is at this point?

Blum: We had $1 billion taken out of our budget. If you said to me, “How well has it
been done,” it’s a little hard to tell. I spent a lot of time looking at that the
three years I was chairman of the board of regents. I haven’t spent a lot of
time looking at it since then. Mark had, and now Janet has three capable
people working for them that work on these projects. So, hopefully, it keeps
getting better. At some point, I had to get on with the rest of my life.

Rubens: There’s nothing you’re identifying right now that you want to particularly
address or move on?

Blum: I think one thing is the university can’t continue to have the disastrous football
season that it had this year. It’s not just one year. This is a separate business,
really. The university, I always say, is in a bunch of separate businesses.
You’ve got the health care, which is separate. It’s $8, $9 billion of revenue.
You’ve got the labs. Particularly, Lawrence Livermore and Los Alamos are
funded by the Department of Energy. Then you have the teaching campuses,
and you have UCSF, but then you have another separate business called
athletics. It’s really football here and UCLA that pay for a lot of this. We need
to pay for the $321 million we spent on a new stadium. So you’ve got to look
at what your competitors are doing in the PAC-12, and we’re not up to snuff in terms of a football team, and we’ve got to figure out how to do that.

Rubens: This new coach, Sonny Dykes, had a rough season.

Blum: He had a dreadful season. In fairness, he was handed a pretty difficult situation when he came in. Wasn’t room for a lot of new kids he could bring in. Some of them were injured. I don’t think he’d ever been a head coach in anything like the PAC-12. As miserable as the results were, I think you’ve got to give the guy another year. We’ll see what happens next year. It’s not just him; it’s building the infrastructure around him. You’ve got to build an endowment that can pay for the outsized salaries that football coaches get. We pay our football coach $1.9 million, and Texas pays their coach six or seven.

Rubens: Oh, really? I didn’t realize that. And you’re still paying off the last guy. Ted?

Blum: Yes. I can’t remember if he had one or two years left.

Rubens: You mentioned health being a separate business—an $8 to $9 billion business. Is that one of the reasons you serve on the health committee for the regents?

Blum: Sure. Because it is a total separate business. There’s the education part of it. These big hospitals, and we’ve got five of them, have to worry about the impact of Obamacare on the way they operate, and they’re not quite sure how that works.

[ Interruption ]

Rubens: We were interrupted by a discussion that perhaps was worthy of being recorded.

Blum: What it really was about is with our Center for Developing Economies and new strategies. We have these courses that we teach to learn about global poverty in general. We have innovation for a number of different kinds of things, with major funding from AID, and then we’re training kids in evaluation work with the Inter-American Development Bank for Latin America. But we haven’t got the kind of relationship we would like with UCSF for global health. We do with UCLA. So what that was really about was how do we crank all this up to a higher level of activity.
Rubens: I thought it was interesting, you were talking about the difference in ratings between UCLA’s med center and—

Blum: Everybody thinks UCSF is the cat’s meow, and it is, but UCLA is rated just as high, and in some cases, even higher. You have to look at the specialties. If you talk about neuroscience, the best place to go in the world is UCSF. If you’ve got lung cancer, you go to Mass General. I think we can be proud of the fact that, in the top seven or eight medical centers in the country, we have two of the best, UCLA and UCSF. By the way, Davis and San Diego are also quite good.

Rubens: Their med schools particularly are very good. You’re still on the finance committee. You were on the buildings committee of the regents, were you?

Blum: No, I never went on it. No, as chairman, you’re a committee member of all of them, but I never went to grounds and buildings. It would make me crazy. I helped get some buildings built, but I didn’t want to sit in to find out what color the tile was going to be on the bathroom floor.

Rubens: Do you care to comment about the appointment of Khawaja Saifuddin, a Muslim student and activist, to the Board of Regents as a student rep?

Blum: Yes, sure. She’s a popular young woman. People like her. I talked with her. In fact, I said I would take her out to lunch. But where everybody else on the Board of Regents voted for her confirmation, I abstained. Why did I abstain? It was because she was very much in favor of a boycott of Israel. Where she wants to be in favor of a boycott of Israel, well, that’s her business, but I think someone who is supposed to be the student leader for everybody shouldn’t be taking those kinds of positions. If somebody said just the opposite of that, I wouldn’t think she should do that either. Her family’s from Pakistan. I think she’s sort of naïve, because I asked her about certain Pakistani officials, some of them we know, and what they were doing here and there, and she didn’t seem to know anything about it. Or I said, “Well, look, if you’re talking about human rights abuse and you’re talking about Israel, then would you boycott Pakistan?” and so forth. Anyway, she sat in the last couple of meetings and has never said a word. I’d like her to do well. Actually, you remind me that I promised to take her out to lunch.

Rubens: So you talked to her after the meeting, but haven’t had—

Blum: Yes, I talked to her right afterwards, because the press was curious that I was the one that—
Rubens: Yes, the only one.

Blum: I think some of the other ones just didn’t want to get into it, so they voted for her. I think particularly some of the Jewish members of the board didn’t want to get into a Jewish-Arab thing. I said, “No, this is not about that. This is about being a leader for all the students.”

Rubens: She is a UC Berkeley student and she was very active in getting the student government to take a position on boycotting Israel—or calling for divestment of—

Blum: That’s what kids do at Berkeley.

Rubens: Yes. The BDS movement [Boycott, Divestment and Sanctions] is such a big issue right now. Several academic organizations, for instance the American Studies Association, are wrestling with support for or opposition to BDS.

Blum: It’s a total waste of time.

Rubens: You think so?

Blum: Look. You think anybody in Congress is, for ten seconds, going to think of putting a boycott in against Israel? That’s ridiculous.

Rubens: Although boycotts and sanctions played a great role in ending apartheid in South Africa.

Blum: South Africa was a totally different story.

Rubens: Why is that?

Blum: The apartheid, the abuse of the South Africans. The people that worked in the mines were effectively slaves. The killing. They treated them not that much different than we treated slaves in the nineteenth century in the South.

Rubens: People get very heated about the occupation of the—
Well, they get heated. Yes, yes, but look, I’ve been to South Africa and I’ve been to Israel lots of times, and I’m not pleased about building new settlements, but I don’t see it as the—

Same kind of exploitation.

No. If you’re going to talk about human rights abuse, let’s start with China. And what they’re doing to Tibet. In Pakistan, they slaughter each other right and left. There’s hardly a country in the developing world that passes the human rights test.

Africa, especially.

Yes, Africa especially.

That’s the position of many academics who are not supporting the call for boycott amongst their organizations. They’re just saying, “You’re singling out Israel, there are other countries where abuses are taking place.”

It’s one of these campus things that they make some noise about. I spent a lot of time in Washington. I can’t remember a discussion any time in recent years—and we’d see all kinds of people—ever, for ten seconds, that talks about boycotting Israel. It’s a joke.

Just because of the strength of the lobbies—

Nobody thinks they deserve to be boycotted. If you’re going to pick on them, then pick another hundred countries.

So as a political strategy, divestment is—

Dumb.

So let’s move to a different topic. I’m not sure we’ve included some new initiatives at the Blum center here with US AID—

We do two things here. We teach kids about global poverty, and then, at the same time, we started, with the School of Engineering and Lawrence Berkeley
Laboratory as our partner, to talk about innovation. The idea is that, if you look at what really brings people out of poverty, it’s innovation. So AID saw what we were doing and has given us a major grant to work on innovation. That, and this DIL Lab, is really what AID calls what they’re funding here and at other campuses, such as Duke and MIT and so forth.

Rubens: DIL?

Blum: It’s Development Initiative Innovation Laboratory. Shankar Sastry likes the name, because “dil” means “heart” in Hindi.

Rubens: Also, what about the Global Development Council that you mentioned in an earlier interview that was taking shape?

Blum: That’s the President’s Global Development Council that I’m a member of. I wrote the president a letter and had a meeting with him when he first became president, and I said, “You ought to have a Global Development Council like the Volcker Commission for Finance,” and they thought it was a good idea. They’ve started one, and I’m on it, and the jury’s out.

Rubens: Are you heavily involved? How often do you meet?

Blum: We often have a telephone meeting, as often as once a week. More recently, it’s been sort of every other week.

Rubens: What is the goal? What is it that you think this council can do?

Blum: Good question. It’s really to give advice to the president on strategies, on what we should do in certain areas. Like, how do you make it easier for the government to help finance companies that are doing things like—for instance, the president came back with this energy initiative for Africa, in which they want to build these large dams and electrical plants that would probably cost twenty-some-odd billion dollars, but it would bring electricity to 40 percent of Sub-Saharan Africa. It’s things like that.

Rubens: There’s no other real central body that is promoting that kind of thing? This is called by him.

Blum: Everybody is in a different way, but this is the president’s council. This council just began last spring. It’s hard to get these things going.
Rubens: You know there is not a list of all the boards and nonprofits that you’ve served on. We’ve talked about many of them, and we haven’t covered that enough; but there are many I don’t know of that we should talk about.

Blum: I keep thinking I should probably put a list together.

Rubens: Stacey told me that you have a current list, but not the ones that you had served on.

Blum: The current list isn’t even up to date.

Rubens: We ought to push that. You ought to push that for your book and for this as well.

Blum: I got to get off my tail and fix it. Yes.

Rubens: Off your tail? It’s just extraordinary how much you’re involved with; how much you do. Just last fall you took Jimmy Carter to Nepal.

Blum: To Nepal and Burma, yeah.

Rubens: How’d he do?

Blum: Oh, Carter is fine. He’s amazing. He just turned eighty-nine. We’d have eight, ten meetings a day in these countries, with different groups and political types. He never missed a beat. About two in the afternoon, I’d doze off for a while, but he’d keep going. He’s great.

Rubens: What do you attribute that to, just genes? He’s just got a constitution that—

Blum: He stays very focused, and he’s very smart, and he understands these issues, and he knows the questions to ask and so forth.

Rubens: Any wrap-up you want to do about the American Himalayan Foundation?

Blum: Of all the endeavors I’ve gotten going, if you said, “What’s the best managed?” it’s the American Himalayan Foundation. That’s a great tribute to Erica Stone, who was the president. We’re running 150 different projects. We know what’s
going on in every one of them. We know what the budget is. I can ask about anything and I know where we are. That’s more than I can say for around here.

On the other hand, this is a university. There are a number of projects that we’re particularly proud of, but our biggest one now is saving these young girls from being sold. We have 11,000 of them in school. We took a whole remote part of Nepal, where it’s ethnically Tibetan. It’s up in the mountains. I was the first foreigner to ever go there, twenty years ago. We’ve been rebuilding towns and monasteries and temples and what have you, and building daycare centers and bringing back monastic orders and lay schools. So we brought this kind of dead, old place back to life again. Then we’ve been working with the Dalai Lama for the Tibetan refugees. We started with Ed Hillary and the Sherpas thirty years ago. More than thirty years ago. So it’s doing well, and it’s really, in a way, it was the mother of all this other stuff.

22-00:27:36
Rubens: Of all your other charity and development work?

22-00:27:40
Blum: All the poverty stuff.

22-00:27:42
Rubens: Do you solicit money for the foundation?

22-00:27:49
Blum: Oh, yes. If we had your name, there was a year-end letter that went out with an annual report. We raised money with a big annual dinner every year. You can go online and contribute. The Dalai Lama will be here next month. We’ll fill up the symphony hall and have a lunch. A few dollars will come in that way.

22-00:28:22
Rubens: Will you be traveling with him?

22-00:28:26
Blum: He’s got to go to a couple stops, going east, and I said that I would fly him there.

22-00:28:40
Rubens: I meant to ask you about being honorary counsel for Nepal.

22-00:28:46
Blum: Yes. I’m honorary counsel for Nepal. I was honorary counsel for Mongolia. They’re really sort of thank yous for the American Himalayan Foundation. I don’t do anything.

22-00:28:57
Rubens: Who designates that honor?
Blum: It was the king of Nepal, back in, oh, about 1980. That was King Birendra. Then it was the president of Mongolia, oh, half a dozen years ago. The president then was Enkhbayar.

Rubens: I’m glad we got that in. I had begun this part of the discussion about boards that you served on that we haven’t talked about. There was the World Council Conference of Religion and Peace. Want to say just a little bit of that? You’re not on that now.

Blum: No. My daughter is. My oldest daughter, Annette, who lives in L.A. She’s interested in particularly Arab-Jewish relations, but this in general. I just didn’t have time for it. So she’s on the board and enjoys it.

Rubens: There’s the Wilderness Society.

Blum: They do a lot of good work. They particularly are interested in buying up tracts of land and putting them into conservation, but they’re also active in legislation in Congress.

Rubens: I think your friend, David Bonderman, brought you into that?

Blum: Yes, David is the one who’s taken an active role in it. I’ve been on the board for, I don’t know, eight or nine years.

Rubens: You’re not on the board of the Cancer Foundation, but you had served on that.

Blum: I did?

Rubens: Yes.


Rubens: In an early interview, not one that I did, you said, regarding trying to get alumni to support UC, that “for several years, I said I would match any amount of money given up to $100,000 for people who graduated from Berkeley.” Did that mean alum donors, you would match their—
No, no, no. This was for graduating students. If somebody graduating from Letters and Science gave $100, I would match it. If they gave $2, I would match it, or whatever. Maybe somebody gives you $10 today. Thirty years later, they might give you $10 million. It was to give them the idea that they ought to give to the university, and get them on the mailing list. And it worked.

Did it? So that was a program that—

Shankar Sastry told me the donations from the School of Engineering the first year I did it went up 53 percent. The business school, 20-some-odd percent. I did it for two or three years. I said somebody else can do it.

Good idea. And did anyone?

I don’t know. I’m afraid to ask.

So we have a little more time. How do you feel about talking a bit about some issues with CBRE? There was a to-do about alleged conflict of interest with CBRE selling or leasing postal property, particularly the closing of the City of Berkeley’s main branch. A demonstration was planned to surround Blum Capital and—

It’s a bunch of nonsense. They threatened to do it. I’m not sure they ever did do it. This is simply that the post office decided to sell off a bunch of their post offices. They had a bunch of brokerage firms bid to do the work. CBRE won a bunch of them, including the Berkeley Post Office. The whole transaction, if it ever got done, and it still hasn’t gotten done—you couldn’t even find it in a rounding, it meant so little. CBRE is a $7 billion company. They would, if it ever gets consummated, make $20,000 on it.

What is a rounding?

It’s not even a rounding. In other words, look, we own about 5 percent of the company. The company makes about a billion three a year. This is $20,000. If you say, “What does it mean to us?” you can’t find it as a percentage of anything. It wouldn’t buy you a cup of coffee. But I can’t tell the company, if they got the assignment, to not do it. Some broker would be upset. I’ve even let the people at—I don’t know if they ever got the message or not. I said, “You ought to get some community group, because it’s a nice old building, to buy the Berkeley Post Office. And if it’s for a worthwhile community endeavor, I’ll contribute to it.” It was much to do about nothing.
Rubens: You’re an old hand at being pummeled.

Blum: Every once in a while, but frankly, it doesn’t bother me. If I look back over the last thirty-five years Dianne and I have been together, it’s rare. You’ve got a couple. I know the guy who’s doing it. He’s a left-wing wacko. He claims he used to have a newspaper, and it didn’t fold. Then he had a blog, and I don’t know if he even writes the blog anymore, and he runs around. What he wants me to do is take him on and get in an argument with him, so then he can have a story. So therefore, I’m not going to do that.

Rubens: It seems to me that there have been flare-ups about several different things that have just gone to air. You were quoted in a newspaper about your investments in China when the senator was lobbying for—

Blum: That was when she was running for reelection. I forget who it was that wanted to make a big noise about it. The presumption was, because we knew Jiang Zemin and Zhu Rongji and Clinton was president, so therefore somehow that helped us get business in China. My comment to that was, “If you go to China and leave with the Dalai Lama, that doesn’t exactly ingratiate yourself.” So it was nonsense.

Rubens: She was campaigning to lift trade restrictions.

Blum: Yes, which had nothing to do with anything. I said, “We all have a problem, an existential problem; we exist.” Everybody’s got to do something.

Rubens: You were quoted—I think it was in the Wall Street Journal—that you would donate all profits from your Chinese investments to charity.

Blum: I did that for the period Dianne was—I think Clinton was in office. I did it for, like, eight or ten years. Then the leadership changed. Dianne goes to China maybe once every three years. I still have money over there. We did do very well on a bank that we sold. This is well after my commitment period, because at some point I said, “Folks, it’s over.” A lot of the money we made from that sale went to the Center. Was not obligated to do it, but I did it anyway.

Rubens: It’s something you wanted to do, of course, but did you feel that that was—

Blum: I didn’t even think about it in terms of China anymore, because that was all nonsense. Hu Jintao, who ran China for eight years, we never met him, or any
of his key people. I didn’t want to have anything to do with them, a lot because of my views on Tibet. I don’t think I’ve talked to a Chinese official about anything that had to do with business in twenty years. I just don’t do it.

Rubens: But what I was going to say is you’re a high-profile couple.

Blum: It’s the old story. They may not like my shoes, I don’t know, because the shoes are probably made in China, whatever that means.

Rubens: I was surprised that you said you had that small of investment in CBRE, because—

Blum: But 4 percent, you have to understand, is $400 million. So it’s not so small. It’s a big company, but we don’t—. One time, we owned 70 percent of the company, but then took it public. We’ve sold down over the period of time. Maybe you have a 4 percent investment, but it’s still $400 million. It’s not chopped liver.

Rubens: Isn’t it the largest real estate services company?

Blum: By far. I’ve been chairman for twelve years. Helped build the company. I don’t do transactions. In terms of buying other companies, yes. It’s strategic.

Rubens: How involved are you?

Blum: It depends. I’m sort of a problem-solver. Working on strategies, sometimes. I’ll spend several hours on a given day on it, or I may spend three days on it because I want to see what they were doing in London or something like that. And then I may not do anything, hardly, for a month. It’s chairman of the board. It’s not operational.

Rubens: Given how large the company is, inevitably there’s going to be questions raised about conflict of interest with government appropriations.

Blum: I think most people understand that if you’re not operational, you’re not involved in it. The company’s got 450 offices around the world, and they’ve got 35,000 employees. So if you’re not involved and you don’t know what they’re doing—and almost all these things that ever have anything to do with the U.S. government are competitively bid on anyway. It’s not like somebody says, “Okay, CBRE, you get this.” It doesn’t work that way. There’s none of
the committees that Dianne is on that relate to the stuff in any way that I can think of. There’s always somebody who wants to annoy you.

I think after thirty-five years, when nobody has ever shown that Dianne and I have done anything wrong, that now when somebody does, anybody that sort of knows us—the press knows us—they go, “Oh well. Doesn’t sound right to me.” I think it was more concerning when she first ran for statewide office and somebody took a couple of shots at us about something. I don’t know what it was.

Rubens: Maybe the Los Angeles transit construction.

Blum: Then you say, geez, maybe they’ve got to get a bad impression of me after thirty-five years. Most people who know me know what we stand for. I don’t lose any sleep over it.

Rubens: Maybe we’ve come to a natural ending for these interviews. Is there anything you’d like to talk about? You may not remember what’s been covered over the long span of time and a total of three interviewers.

Blum: There was a cute story. This had to do when I was interviewed by I think it was Businessweek in India. This gentleman said to me, “Mr. Blum, you must be billionaire.” I said, “Yeah, in rupees.” He said, “Well, you’re giving hundreds of millions of dollars to help poor people in Himalayas.” I said, “No, no. We run a lot of projects, but the cost of getting things done there are quite low. So it’s millions, but it’s certainly not tens of millions.” He said, “Well, if you’re not a billionaire by now, you will be one.” I said, “No, I’ll never be one.” He says, “How do you stop it?” I said, “Well, if you make bad investments, that can help stop it. Or, too, if it gets close, I could give money away.” Any rate, I’ve stuck to my commitment. Facetiously speaking, that is.

But the point of all this is, look, we have wound up, my wife and I and our family, being way better off than anybody expected. We have more houses than we need. The kids and grandkids are taken care of. And one plane in a family is enough. So if there’s any extra money, and you go around the world and you see how a little money here and there can make a difference, there’s something wrong with you if you don’t want to help. It’s simple as that.

Rubens: Whew. I think that’s a good ending. I really think that’s it. Unless there was anything else. In an earlier interview you talked about winding down Blum Capital. You mentioned Brett White, perhaps assuming more responsibility.
Blum: It’s still sort of winding sideways. I’m not trying to do what I did fifteen years ago, which is really grow it. I’m trying to hand it off. Easier said than done.

Rubens: All right. I think with a little editing we have a marvelous interview here.

Blum: When you get through that, if you think it’s done or you need a few more minutes, just let me know.

Rubens: Thank you so much.

End of Interview
Richard Blum with six of his seven grandchildren