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## **Self-Made Philanthropists**

By **JOE NOCERA**

**One day in the fall** of 2006, [Paul Steiger](#) got a call from Herb and Marion Sandler. It came completely out of the blue. At the time, Steiger was the managing editor of [The Wall Street Journal](#), the paper's top editorial position, a job he'd held for 15 years. He'd had his share of great moments, including 16 Pulitzer Prizes, and his share of miserable ones, including the murder of [Daniel Pearl](#) and the steady drip, drip, drip of cutbacks and layoffs. A year away from The Journal's mandatory retirement age of 65, Steiger was just beginning to think about what he might do next.

He knew the Sandlers, but not well. "They were people who were interesting and good sources," he recalled not long ago. "I would have dinner with them once a year or so." For most of the time Steiger knew them, they had been running a company called Golden West Financial Corporation, which they had built since 1963 from a two-branch savings and loan in Oakland into the second-largest S.&L. in the country.

Steiger also knew them as "civic-minded people who were kind of partial to lefty or progressive causes." Since the late 1980s, the Sandlers used their wealth to finance a variety of nonprofit organizations, including [Human Rights Watch](#), the [American Civil Liberties Union](#) and Acorn, the grass-roots organizers. They helped found the Center for Responsible Lending, where they are among the largest benefactors. They are also among the very few philanthropists in the country who finance basic scientific research, at the University of California at San Francisco. And they have set up nonprofits to conduct research into parasitic diseases and asthma. In 2003, they started the Center for American Progress, which is intended to be a liberal counterweight to the heavyweight policy centers of the right, like the Heritage Foundation and the Cato Institute. So far, the Sandlers have given around \$20 million to the center.

All this they have done relatively quietly. Though hardly without ego, the Sandlers nonetheless shun the kind of publicity that accrues to such better-known philanthropists as [George Soros](#) and [Bill Gates](#); indeed, the Center for American

Progress is sometimes labeled a Soros-financed operation, even though the liberal financier has very little to do with it. And for years, the Sandlers did their philanthropy more or less out of their back pocket, since they were still running Golden West.

But in October 2006, with both of them in their mid-70s, they sold Golden West to [Wachovia](#) for \$25 billion, reaping \$2.4 billion from their stake in the company. They quickly put \$1.4 billion into the small foundation they had been using to make their donations, which suddenly made the Sandler Foundation one of the 30 largest in the country. (The Sandlers, who oversee the foundation with three other board members, plan to put the rest of their money into the foundation eventually.) Then they moved into a small suite of offices in downtown San Francisco, hired minimal staff — the Sandlers *hate* bureaucracy — and got down to the business of giving away their fortune. Starting with, of all things, journalism.

“They told me they were thinking about spending \$10 million a year on investigative journalism,” Steiger recalls. The Sandlers didn’t know precisely what they wanted to do, but they knew they wanted to do something big. “They said they were talking to a bunch of people, soliciting ideas,” Steiger says. “What advice would I give them?”

Steiger drew up a proposal for a nonprofit that would employ around 25 reporters and editors and would conduct the kind of ambitious investigations that only a handful of the country’s most prominent news organizations do as a matter of course. Although the Sandlers solicited plenty of other ideas besides Steiger’s, his was the one they loved. They told Steiger that they would finance it, but only if he would run it. After a little soul-searching, Steiger agreed. ProPublica — as it is called — opened its doors in early January and in recent weeks has made its first few hires and named a star-studded advisory board (which includes Jill Abramson, a managing editor of The New York Times). It intends to begin producing investigative articles by the summer and then give its biggest exposés, free, to major news outlets like “60 Minutes.” Although there have been nonprofit investigative efforts in the past, nobody has ever proposed a model quite like this before.

Like most people outside the Bay Area, I’d never heard of the Sandlers before the announcement of ProPublica. But as I quickly came to realize, its creation was a classic Sandler foray. They chose a path — investigative journalism — that few other philanthropists had trod. Rather than give money to someone who approached them,

they did the approaching. Rather than finance an organization that already existed, they started their own outfit. They found a star to run it. They seemed almost to relish the thought that they risked failure with this new, unproven model of journalism, though if truth be told, they don't think they'll fail. And they gave a lot of money — \$30 million for the first three years, with the expectation of continuing that commitment, if not more, for years to come. It's hard for philanthropists to make a big difference if they're not willing to spend some serious money, the Sandlers say.

On one level Herb and Marion Sandler are part of the new wave of philanthropists that Matthew Bishop of *The Economist* calls "Philanthrocapitalists": wealthy entrepreneurs who are applying to philanthropy the same principles that made them successful businesspeople. They make big bets, demand results, take risks, want some control over how their money is spent and so on. The quintessential philanthrocapitalist, of course, is Gates, but many others are now following his lead, trying to forge a new kind of activist philanthropy. Even among the philanthrocapitalists, though, the Sandlers stand out. Herb, in particular, can sound nearly contemptuous about how other philanthropies go about their business. Mainly, it seems, they don't do it the way he and Marion do.

But what makes them so sure their way is better?

"It starts with outrage," Herb Sandler said. "You go a little crazy when power takes advantage of those without power. It could be political corruption — "

"Or subprime lending," Marion interrupted.

"The story of subprime is worse than anyone has written so far," Herb said, shaking his head in dismay.

"It is," Marion said, nodding in agreement.

We were sitting around a table in Herb's office talking about what motivated them to put some of their fortune into investigative journalism. But they could have been talking about much of their giving over the years. To listen to the Sandlers is to be in the presence of the kind of proud, righteous liberals who went out of fashion a long time ago. Dispassion and irony, the twin shields of the modern age, are not part of their makeup.

For the most part, Herb did the talking. Sitting across from him, Marion was knitting a red scarf (knitting during meetings turns out to be one of her trademarks), which didn't prevent her from interrupting him when she wanted to add something. This she did often; invariably Herb would stop talking and defer to her as soon as she began to chime in. Even in their most animated back-and-forth, though, they never disagreed. During the decades they ran Golden West, they had, in theory, distinct roles: Herb was the chief executive and strategist, while Marion ran marketing and "everything having to do with the consumer," according to Steve Daetz, who is now the executive vice president of the Sandler Foundation. In reality, though, they consulted on everything, and it was often impossible to know where Herb's thoughts ended and hers began.

Herb Sandler was born poor on the Lower East Side of New York; in the 1950s, he was an assistant counsel on the Waterfront Commission, which famously fought crimes in the port of New York and New Jersey. Marion Sandler came from Maine, where her family ran a hardware and plumbing-supply store. By the time they met — in the Hamptons — she was on Wall Street. Shortly after they married in 1961, they moved to California and then bought Golden West for \$3.8 million.

There is no question that the Sandlers had a gift for banking. They ran Golden West as if it were the family store, which, to them, it was. They sidestepped the S.&L. crisis of the 1980s because, among other things, they did not make the imprudent loans that hurt so many others. "They were careful about everything," says Shelby Davis, the founder of Davis Selected Advisers, Golden West's biggest shareholder after the Sandlers themselves. "They were frugal. They paid attention to risk management. And they focused on expense management, so they could pass on the savings to their customers."

They also absolutely reveled in doing things their way, and over time, they became convinced that their way was the right way. There was some self-righteous nose-thumbing to this: occasionally Herb Sandler would testify before Congress against bank practices that outraged him. But they also cared a lot about surrounding themselves with strong, self-confident managers and giving them responsibility. They weren't afraid of trying things the industry had never tried before. Though they rarely acquired other S.&L.'s, when they did, they undertook a tremendous amount of due diligence. And certainly their track record would seem to justify their confidence in their approach: during their tenure, Golden West's stock rose at an annual rate of 19 percent, a remarkable long-term record.

That kind of success also breeds the belief that what worked making you rich can be applied elsewhere. And so it was with the Sandlers, when in the late 1980s they started turning their attention to philanthropy.

In 1988, Herb's brother, Leonard, a New York appellate court judge, died at age 62. Herb and Marion wanted to memorialize him in some way. Many philanthropists would have done so by building a wing on a hospital and having his name attached to it. But as with most of the new philanthrocapitalists, that didn't interest the Sandlers. Because Leonard Sandler had always been passionate about human rights — as had Herb and Marion — they decided to find a human rights group to support. They settled on Human Rights Watch, to which they have since donated, in the aggregate, around \$30 million, making them one of the organization's largest donors.

What was it about Human Rights Watch that attracted them? To the Sandlers, it was the model of a well-run nonprofit. It was effective. It didn't waste money. It issued meticulous reports that tracked its results. And it was run at the time by Aryeh Neier, whom the Sandlers trusted. (Neier now runs Soros's Open Society Institute.) In other words, it was run on the same set of principles as Golden West Financial.

And how did they come to that conclusion? Because they did at least as much research into human rights organizations as they did when they were thinking about making an S.&L. acquisition. And so began their pattern.

“They are keenly interested in the management of nonprofits, and they are struck by how badly managed most of them are,” says Chuck Lewis, the founder of the Center for Public Integrity, an investigation-oriented nonprofit that got a few small grants from the Sandlers a few years ago. “They have almost a fetish about it. They have an absolute infatuation with focusing on management. Who are the leaders? What is their background? Is it getting bigger or smaller? They rigorously chew over what they are about to do, much more than others do.”

So that's one part of their philanthrocapitalist approach: they want their money to go to organizations they feel are well run and led by people they can count on to keep them that way. They want some control. This is true, it turns out, even when they're not the biggest donors. Lewis, for instance, had been running the center for about 12 years when the Sandlers showed up and made a relatively small grant. “Chuck was a terrific leader,” Herb recalls. But the Sandlers felt the center needed a better management structure,

and so they began working with him on that. When Lewis decided a few months later that the time had come for him to leave, the Sandlers were furious and took his departure as a betrayal. “We had put in an enormous amount of effort,” Marion says. For his part, Lewis felt he should be able to quit without giving the Sandlers advance notice and was angered by their reaction. There were hurt feelings all around. “They are high-maintenance donors,” Lewis says now.

Not every grantee feels that way, though. “They are not micromanagers,” insists Dr. Jim McKerrow, who runs the Sandler Center for Basic Research in Parasitic Diseases at U.C.S.F. “But at the same time, they want to see how their money is being used, which is why they are opposed to endowments. In my case, they investigated not just what we were doing but me personally. I would get calls from colleagues, saying they had talked to the Sandlers.” Now that he has passed muster, “we get the money every year,” McKerrow says. “But I don’t have to justify a day-to-day budget. Or even a quarterly budget. They give me the money, and they say we trust you to use it correctly. Their commitment by the end of a 10-year period will be \$20 million.”

Hence, the next part of their philanthrocapitalist approach: if you’re not satisfied with what’s out there, then you start your own nonprofit. Or at least that’s how the Sandlers approach it. “We were businesspeople,” Marion says. “We’re not afraid of start-ups.” Herb adds, “We look for big holes we can fill,” and sometimes that means beginning something new. The Sandlers’ approach to asthma is one good example: they began looking into asthma research because Marion suffers from the disease and soon came to the belief that the field was stagnant, while the disease, especially in inner cities, was increasing. So rather than give their money to existing research, they started the Sandler Program for Asthma Research, designed to ferret out scientists from other disciplines who might have new ideas and could be drawn into the field with the Sandlers’ money.

Similarly, when they decided to finance progressive ideas, they concluded that the one way to do it was to start their own Washington policy center. Up went the Center for American Progress, which is run by John Podesta, the former White House chief of staff in the Clinton administration.

It is hard to know, of course, how much of a difference these efforts will make. As Bishop points out, “You can’t simplistically take a business model into the philanthropic world and expect it to work every time.” The parasitic disease center has a drug in preclinical

trials, which is the probably the single most tangible result of their efforts to date. “If that drug proves out,” Herb says, “that alone would justify all our philanthropy so far.”

But other areas are more amorphous. Will the Center for American Progress really change the tenor of American politics? It might, but it might not. For all their talk, the Sandlers are aware that results are often difficult to define, much less measure. In effect, he and Marion are hoping for success rather than demanding it — which is about the best they can do.

ProPublica will offer its own test for the Sandlers’ approach to philanthropy. In the newspaper business, a good story that exposes wrongdoing is something to be proud of, quite apart from whether it produces change or puts someone in jail. But it is clear that the Sandlers have a larger vision for what their new organization will accomplish. “They used to tell me that they weren’t really interested in investigative journalism per se,” Lewis says. “But they saw it as a way to make the world a better place.”

Lowell Bergman, a New York Times and “Frontline” contributor who has long been friends with the Sandlers, says much the same thing. “Herb doesn’t like crooks, liars, predatory lenders and lots of other people that you and I wouldn’t like,” he says. “He would like to put them out of business and throw them in jail.”

What the Sandlers want, clearly, is investigative journalism that leads to change in public policy or finds, as Herb put it to me, “the next Enron.” (“Get the bastards,” he said to me excitedly at another point.) Other people who talked to the Sandlers when they were first soliciting ideas say that they mused about having the organization engage lobbyists to push Congress to make changes after an exposé ran or have journalists testify before Congress. Thanks, perhaps, to Steiger, they are no longer saying that; they have come to understand the importance of journalistic neutrality. Indeed, it is not unlikely that ProPublica’s reporters will choose to go after a target on the left side of the political spectrum, especially if Democrats become the party in power in November. The Sandlers say they’re fine with that. But what if the stories die on the vine as sometimes happens? What if the big media outfits like The Times or “60 Minutes,” which have their own investigative staffs and tend to be proprietary about their work, decline to run ProPublica’s exposés? Will they be fine with that as well?

There is, when you get down to it, something both hubristic and admirable about the Sandlers’ approach to philanthropy. They are not burdened by doubt. They are not

afraid of making mistakes. They really do want to make a difference with their money — and they want to spend as much of it as they can while they are still around to watch how it is used.

Which is a problem, given that they gave away only \$75 million last year. “We need to get our spending up to between \$200 and \$250 million a year,” Herb said with a sigh the last time I spoke to him.

Still, don’t call them. They’ll call you.

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