

Garry South

PART II: Political battles and the electricity meltdown

Interview conducted by Carla Marinucci in Marina del Rey, California, on October 26, 2023

GS: Well, let me back up a step or two. One of the things that I told him at the time was that he needed me on the outside, not on the inside as an employee under the Hatch Act, filing financial disclosures and all that kind of thing. I said, you're going to need an attack dog on the outside. Because people on the inside are not able to do that. Your chief of staff can defend you and all that, but they're not going to go out and attack your opponents. Right? And by the way, at the end of his first term, he realized I was right, that he needed me on the outside 'cause I was able to do things and say things not as a state employee on the outside, as a paid consultant that I wouldn't have been able to do as chief of staff.

GS: So by the end of that first term, he realized that I was right. And that I, being a bureaucrat inside the horseshoe was not using me properly. But what happened in the energy crisis is that in May of 2000, I got a call from Edison, which is one of the three investor-owned utilities that covers the LA area, from Bob Foster, who you know, he ended up being mayor of Long Beach for two terms. And Bob said, I gotta meet with you. I gotta tell you something. I had no idea. So we met at the City Club downtown on Bunker Hill. And he had these colored charts that he printed out of the price of spot power that the utilities were buying to make sure that the grid stayed up and running. Now, Gray had nothing to do with the electricity deregulation. That was 1996. He was lieutenant governor. It was Wilson's thing. It was Steve Peace. It was Brulte. We didn't even take a position on it and had nothing to do with it. Right?

CM: Right.

GS: And it got into effect. It was in effect when Gray became governor in '98. But we didn't, we never knew anything about it. I didn't know how it worked. I had no idea. I never studied it. And Bob Foster says, there's something really screwy happening in the electricity market here. This price of spot power has gone from like \$35 a megawatt to \$9,000 a megawatt, like that. He said, there's something going on here. Something's screwy going on here. And so I said, well, I'll take it to somebody who knows what they're talking about. I have no idea what's going on here. So I actually convened a meeting in Sacramento with Gray, with chief of staff, Susan Kennedy was cabinet secretary, Phil Trounstein was there, communications director, Lynn Schenk was there, chief of staff.

GS: And I laid out these papers and I said, look, I don't know what this means, but Bob Foster is freaking out. And he says the investor owned utilities are going to go bankrupt if this continues. And I remember Gray kind of impatiently said, kind of telling stories out of school, but Gray kind of impatiently listened to the whole thing and said, "Lynn, you handle this." Lynn Schenk, chief of staff, "You handle this." He said, "I was elected as the education governor, not the electricity governor."

CM: Eeeeww!

GS: And he, I mean, Gray had a lot of strengths as governor. But one of the weaknesses with Gray was that he was laser focused on certain things. He had great discipline. He had military discipline. And that's good in a sense, but it's not good when something unexpected happens and it doesn't fit within your narrow range of priorities. And my comment at the time was Gray, if this thing goes haywire, you think

they're going to blame Lynn Schenk? They're going to blame you, the governor. Why didn't you keep the lights on? And it was pretty prophetic. I mean, that's ultimately what did him in.

CM: Yeah. I mean, I mean...

GS: Now, he did get engaged and he got very engaged and flew to Washington and tried to deal with the Federal Energy Regulatory Commission, which at that point was kind of the regulatory agency over the producers of the power, but it wasn't soon enough and it wasn't aggressive enough, and when the lights went off, again, they weren't blaming his chief of staff, Lynn Schenk, they were blaming Greg Davis.

CM: And his poll numbers were collapsing.

GS: Oh, completely collapsed.

CM: So what were you watching? Yeah.

GS: Literally within about three months, and we were polling constantly, right? Within about three months in 2021, between January and April or May, I think it was the end of late April, his polling numbers in terms of job approval collapsed from the mid 50s to the 30s. I'd never seen an incumbent's poll numbers collapse that quickly. And the right wing was out there and the energy companies were funding this campaign against Gray, remember blackouts in 2001, gray out in 2002, right?

CM: Oh, yeah, right, right, right.

GS: And so he finally got a hold of it, but not soon enough and not aggressively enough.

CM: Yeah, I was going to say, what do you think was the biggest mistake in dealing with it? Wasn't there anything he could have done that had...

GS: Not acknowledging that it was a growing problem. And he finally did give a speech on state, well, like a State of the Union thing, where we commandeered TV time and all that, but it came too late. And when in our focus groups, in fact, John Harwood wrote a piece in the Wall Street Journal about me advising Governor Davis, and part of the story, the hook on the story was that I had gone to Gray with focus group tapes from these focus groups where we talked about his stance in the electricity crisis and how people were blaming him. And I forced him at his apartment to watch these things because they were brutal.

GS: I don't know where he's been. He's absentee landlord, this is a big problem. The lights went off, streetlights were out. And he got involved too late. That was the problem. And it was partly because it wasn't in his field of vision. He was going to be the education reform governor. And he actually did a good job on that count.

CM: Yeah, that was one of the major...

GS: But the problem with being a governor, and I had worked for a previous governor, and I had worked for a governor where he had to close down all the savings and loans in Ohio because one of them was insolvent and it was going to be a run on the S&Ls. And he had to hold a press conference and literally use his executive power to close all the savings and loans in Ohio, which pissed people off beyond belief

because they couldn't get their money. Right. So I'd seen this at close range, what happens when you have a problem that pops up out of nowhere, falls on your head like a piano out of a seventh floor window. And you've got to get in there and take control of the whole thing. And he just didn't have electricity in his field of vision. And his view was, this was a Wilson problem. This was Pete Wilson's idea. I had nothing to do with it, right? True. But when the lights went off, Pete Wilson was long out of office and they weren't going to blame Pete Wilson because nobody had any idea who was responsible for so-called electricity deregulation which was Haywire.

CM: Right. And reporting has since been done that electricity companies and others were in the background gaming the system and so forth. So, that wasn't...

GS: Gaming the system. Yeah, that was often. Gray smelled a rat from the very beginning, but he couldn't figure out what was going on. And we should have known that something screwy was happening. I remember going, when he was lieutenant governor and I was the chief of staff, John Bryson of Edison, the CEO of Edison, asked us to come out to wherever they are out east of LA to meet with him. And remember that part of electricity deregulation was that these three investor-owned utilities, PG&E, Edison, and San Diego Gas & Electric had to divest all of their power plants that they had built and managed, had to divest them and sell them off to outside energy producers, many of them from Texas, from Oklahoma, from Georgia. And so, the utilities did not control the generation anymore, right? Hydro, yes. They didn't sell off the hydro, the dams, but all the gas-fired electricity plants were divested.

GS: And so, the problem with Edison, and all the Edison executives were there, they said, we've got sunken costs in all of these gas plants. And like this one cost \$170 million to build, or whatever it was. And we're afraid that we're going to have to sell these off at fire sale prices, right? And we're not going to recover our sunken costs. But what happened when they sold off the plants was that these outside energy companies from Oklahoma, from Texas, from Georgia, all over the place were sometimes paying twice the cost of the plant being built.

GS: Here's a plant that cost \$70 million to build. And these utilities, outside utilities, are paying \$250 million for the plant. And somebody should have said, wait a minute, what do they see that we don't see? Why are they buying these gas-fired generating plants for three times what they cost to build? Well, they figured out early on that they could game the system and get all their money back and more. But it was a mess. And it just basically took attention away from everything else. And people were pissed. People were pissed. And they blamed Gray.

CM: And meanwhile, the re-election is looming out there. His numbers are collapsing.

GS: Correct.

CM: How did you go into that re-elect knowing what was going on? Did this look like mission impossible to you?

GS: A little bit, but...

CM: So tell us, remind us of how that...

GS: Well, we did the classic thing in the 2002 re-elect, which is, I may be bad, but my opponent is... Wait till you get a whiff of my opponent, so the first goal was to get Riordan out of the...

CM: Yeah, so Richie Riordan...

GS: Make sure that Riordan wasn't the Republican nominee.

CM: And didn't it look like it could have been an easy ride for him.

GS: Well, but I knew it could be, because I knew the guy like the back of my hand. Fortunately, I helped run the campaign against him in the '93 mayor's race as you know. And so I knew the guy like the back of my hand.

CM: And you had a lot of opposition research collected.

GS: I did indeed. Including the infamous videotape with him saying abortion is murder. So we decided, and by the way, this was something that, I mean, Gray was mortified at the prospect of Dick Riordan being the opponent, because one of the things we found was that here in the LA market, he was not mayor anymore. I mean, he'd given up mayorship, the year before. But in the LA media market, he had very positive focus groups saying, "You know what, you know he was, I think he was a pretty good mayor." I mean, even people in San Bernardino or Irvine, "Well I think he was a pretty good mayor of LA. He worked for a dollar a year. He seemed like a nice guy," and on and on. So we thought we're not gonna be able to make this guy into a negative down here in this biggest market, right?

GS: Maybe in the rest of the state. But so there was kind of panic that said that we gotta get this guy out of the race. And he handed us the... He handed us the sword to kill him with by proclaiming loudly that he was, he could beat Gray Davis 'cause he was pro-choice and running ads, said that at the state Republican convention, I can beat Gray Davis, these other two clowns can't because I'm pro-choice as a heavily pro-choice state.

GS: And so I'm thinking back to the mayor's race where he said the same thing. I'm a Republican, but I'm pro-choice and my wife is a liberal Democrat, she's pro-choice and all that. And what happened in that mayor's race was that when he went on the air with these ads claiming he was pro-choice, I got a call from someone in Beverly Hills that said, I've been seeing these ads where Dick Riordan claims he's pro-choice. And he said, I swear to God that just a couple of years ago I saw an interview with him on TV where he said that he thought abortion was murder. So it was on the... It was on the cable. It was a local access channel on the Beverly Hills...

CM: Wow.

GS: Continental Cable Vision or whatever it was at the time. So I checked into this and found out that there was a woman who was doing these interviews with people just on her own accord. And throwing them up on the local access channel of the Beverly Hills cable system. Her name was Lauren Steiner. And she had done this half hour interview with Dick Riordan in '91; by the way, now it's '93. It's only two years before. It wasn't like 20 years before.

CM: Right.

GS: And the cable system didn't have the interview. I mean she had them all on VHS tapes. Right? So I couldn't get it from the cable system. So I set up lunch with this woman. I found out where she lived and got her number and had lunch with her. And I said I'm really interested in that videotape of your interview with, not very political, by the way.

CM: Yeah.

GS: She was highly suspicious of me, which she should have been. And I said, I'd like to acquire that tape. And she goes, oh, I don't want to cause any trouble. I don't... And so finally, I offered her \$10,000 for a single VHS videotape.

CM: Wow. Okay.

GS: We paid it through the media consultant. So we didn't report it as a campaign expenditure and made a check out to her. And I met up with her and she gave me this one VHS videotape, remember VHS videotapes?

CM: Oh yeah.

GS: And I gave her a \$10,000 check. Now, we put that on the air in the mayor's race, but we didn't have enough money to really run it like we did in 2002. So when he started running for governor. And doing the, I'm pro-choice, I can beat Davis 'cause I'm pro-choice, it's a pro-choice state. My wife's a liberal Democrat, blah, blah. I thought, hmm, this sounds vaguely familiar to me. So I went back to my storage unit where I kept all the records from the mayor's campaign, a climate-controlled storage unit.

CM: Your famous storage unit.

GS: So that the VHS didn't degrade. And I got that videotape and I kept telling reporters, probably you.

CM: Yes. I do remember.

GS: I kept saying this guy's getting way out over his skis on the abortion issue because I have a videotape where he himself says he agrees with the Catholic church. He thinks abortion is murder. And so people started going to him, maybe even you saying Garry South says he has this video.

CM: Yes.

GS: He goes, I never said that. I don't, no tape... And here I had it in my hand and I thought, the guy's either senile or he's an incredible liar 'cause here it is. So we decided to bait him into this whole pro-choice debate.

CM: That's true.

GS: And remember, Carla, we had two different spots. It was a one-two punch.

CM: Right.

GS: The first spot that we put up talked about the donations he'd made as a multi-millionaire to anti-choice groups, the rabid anti-abortion groups, which he had. Now, it was only 3,000 here or 1,500 there.

But nonetheless, here's a guy who's out there saying, 'I've always been pro-choice. I'm pro-choice,' who's given money to rabid anti-abortion groups. And so we've put the first ad up saying, 'Dick Riordan claims he's pro-choice, but why is somebody who's pro-choice giving thousands of dollars to anti-abortion groups who want to take away a woman's right to choose?' When that spot hit the air, he went ballistic. 'And I denounce that, I've always been pro-choice.' And so we had their next spot ready to go, which was basically him himself on the videotape. And what was devastating about it was the way he stated it, because the interviewer said "Well, you're a very devout Catholic, you're very close to Cardinal Mahoney. What is your... What is your position on the issue of abortion?"

GS: And he says, almost verbatim, he says, "Well, I surprised myself on that issue because I'm so liberal on everything else. But on the issue of abortion, I agree with my church. I think it's murder." This is like Riordan himself saying this on videotape. So that was the second ad. And I'll tell you what, we focus grouped that before we ever put it on the air, and we had focus groups that were basically evenly divided between pro-choice women and pro-life women. And it was like the perfect two-edged sword because it killed him with both camps. Both camps thought he would...

CM: You were so happy. Yes.

GS: He had to be lying either now or then, because you can't say in 1991, I think abortion is murder. And then 11 years later in 2002, claim I've always been pro-choice. Right?

CM: Right.

GS: It killed him with both camps. And by the way, I have never seen... When we aired that ad, his ratings collapsed like a greased pig sliding down a flagpole. I had never seen such a collapse of numbers and as you know he got his butt kicked in the primary by Bill Simon.

CM: He did.

GS: In the Field Poll, remember the Field Poll?

CM: Right. Yeah.

GS: When that whole race started out, he was 41 points ahead of Bill Simon, 41 points ahead of Bill Simon and ended up losing to Bill Simon by 18 points. That's almost a 60-point turnaround, which is almost impossible. Right?

CM: That's an incredible... Had he been the candidate instead of Bill Simon, would he have won that race?

GS: I don't think so, 'cause I think we could have come back and beaten him. But it would have taken a lot of money to do so.

0:59:09.**CM:** Yeah.

GS: And there were two problems, Carla. One of which was that, Gray Davis who was a masterful fundraiser... I mean we raised \$78 million in that cycle to run for re-election.

CM: Wow. Of course.

GS: That's more, more than Ross Perot spent running for president in 1993 by the way.

CM: Wow.

GS: Just by way of comparison. But our problem was two-fold, one of which was because Dick Riordan, was an LA mayor and all that and Gray was from LA, we shared a lot of the same fundraising base, and we had these Monday meetings at Haim Saban's office down in Hollywood, with all these big funders, a lot of them from the entertainment and they would say things like, well, Gray I'm gonna to give Dick \$50,000 'cause I had been a long time friend. And Gray would say, "Are you kidding me? He's trying to beat me. You want to be Gray Davis' friend? You're not going to give Dick Riordan five cents, let alone \$50,000." So we knew we were gonna have a problem because some of our donors were gonna give him money too.

CM: Yeah.

GS: The other thing was again the one I alluded to earlier which was he was very well thought of in the market down here. This is the biggest... second biggest media market in the country, right? In LA and it expands not just LA, but Ventura, Orange...

CM: Yeah.

GS: ... San Bernardino and Riverside County. I mean, that's the LA media market basically. And so we thought, we're going to have to pummel the guy so badly in this very expensive LA market even to get him... Get his numbers to go down, it's gonna be a huge expenditure, and we're gonna be sharing donor base with him. So there were two practical problems why we had to get rid of him.

CM: Yeah.

GS: And it worked it worked like a charm I must say.

CM: And you got the guy you wanted Bill Simon.

GS: We did.

CM: But the campaign got very negative.

GS: We had to.

CM: That had its own impact. Just talk a little bit about that.

GS: Well, one of the things we did in that campaign once we got rid of Riordan was we thought okay, we got this kind of this unknown candidate Bill Simon, he's never run for office before, has no idea what he's doing and so we thought we can use the general election instead of just trying to crash Riordan, we can use it to try to rebuild Gray's bonafides with the voters. So we put together a lot of ads about the energy crisis, right? Talking about how Gray did 1new power plants that had been built under Gray Davis. He cut red tape. We had pictures of him cutting the ribbon at these power plants and all that. And so we focus grouped them fully and people simply did not believe them. They said I don't believe that. I don't believe that for a minute, right? I remember the blackouts and a moderator of a focus group is not supposed to argue with people.

GS: They're supposed to be like, I don't know who my client is I'm just kind of here, trying to get your opinions and all that, but we got so frustrated that we actually gave Paul Maslin fact sheets about all the power plants that had been built under Davis' administration and when people would say I don't believe that for a minute. I don't think governors built power plants, these were probably in the process for years, he's just taking credit for them. So we would pass out a sheet that had every single power plant, I think 16 or 18, when the approval, the permit was approved when it was built how fast it was built, expedited, the whole thing and we'd like okay well here, we'll pass it around, people would look at it and go I still don't believe it.

GS: So we thought, shit, we can't resuscitate the guy and his numbers. People are not believing it. They think we're shining them on. So at that point in time, we had no choice, we just had to go after Bill Simon and my friend Dan Schnur, the Republican consultant who's still a good friend of mine, but we had a forum at USC after the election, where Dan, Dan let forward a theory he's quite articulate. He's funny, but he said, voters trying to decide between Gray Davis and Bill Simon was like trying to decide which of the Menendez brothers you like better. Get it?

CM: Yeah.

GS: They killed their parents. But the point was that one of the things that happened as you remember that campaign Carla, 'cause you covered it, was we're talking about sometime in September in the general election, Bill Simon got hit with a \$78 million fraud verdict from a jury and we didn't even know the trial was going on.

CM: I remember this, yeah.

GS: A jury convicted the guy of fraud with \$78 million, and I remember Roger Salazar who was our press secretary in the campaign called me early one morning at like 6:30. He said you won't believe this, Bill Simon just got hit with a jury verdict, convicting him of fraud with a \$78 million penalty, and I thought, are you kidding me? But the funny thing about it was, so we use that a lot, right? The guy just got convicted by a jury of his peers of committing fraud, but the fraud, it's a long story, but the fraud was about a company he had taken over called Pacific Coin.

CM: Right.

GS: I had no idea what this was. I thought it was like a numismatic company that dealt with rare coins from Greece and ancient Rome and all that, what it actually was, was a payphone company.

CM: That's right.

GS: A payphone company. And so we initially, we went into focus groups right away to talk about the fraud verdict, right? And well the funny thing about it was... Kind of the same problem, Trump's having now with his supposed business astuteness...

CM: Yeah, right.

GS: And all that. Is that when we said, our opponent is this guy named Bill Simon, may not have heard of him, but his father was treasury secretary. And Maslin would say, now, the interesting thing about it is the guy just got convicted of, with a jury of his peers downtown and convicted of fraud, \$78 million fraud

verdict against the guy. And he said, this was involving a company that he and a partner had taken over called Pacific Coin. Now, what do you think that company... What do you think that company does? And people go, oh, I don't have... Well, maybe it's about, maybe it's like rare coins, something like that. He goes, no, you know what it is? It's a pay phone company. And people said, "Pay phone company in this day and age? Are you kidding me? They ripped all the payphones out. Why would some astute businessman invest in a pay phone company when cell phones..." They were more astonished at the fact that the company was a pay phone company than almost the fact that he got convicted of fraud.

GS: It completely deflated his argument that I'm a successful businessman and I can run the state like I've run my businesses and all that. I mean, from that point forward, the guy was toast. And then remember, that the other screw up, and this was an Ed Rollins mistake, by the way, remember he...

CM: Oh of course...

GS: He hired Ed Rollins and all these outside consultants and all that. And remember he came out at one point and said that Gray Davis had violated the law because he had accepted a campaign check in the lieutenant governor's office, which is, you can't do campaign money in state buildings. Right?

CM: Right.

GS: And he released this 8-by-10 photograph of Gray standing there, with a big Cheshire grin on his face, accepting a check from some law enforcement group. Now, I knew, the minute I saw the picture, that wasn't the lieutenant governor's office. I had an office in there. I know exactly what it looked like. It had like real expensive art on the wall and all that. It turns out it was some donor's house in West LA. And so they kept pushing this notion he violated the law by taking a campaign check, like a \$50,000 campaign check in the lieutenant governor's office. And I knew it wasn't true. And so what we did was, once they went out there with that, and by the way, after that first debate with Simon, where they had their competing press conferences afterwards, Ed Rollins was in the room.

CM: Oh, yeah, yeah. Right.

GS: Remember?

CM: Yeah. Yeah.

GS: When somebody asked him, Mr. Simon, you're accusing Gray Davis of committing a crime by taking a check, and his staff says that's not the lieutenant governor's office. And I remember that Simon didn't know how to respond. And so Ed Rollins is standing up against the wall, and he looks over at Rollins. Rollins goes like this. And so he says, yeah, well, we believe it is in lieutenant governor's... And so we produced pictures of lieutenant governor's office and said, there's nothing, there's no wall in the lieutenant governor's office that looks anything like this. And I guarantee you, we don't have art from some famous artist on the walls. Right? And it just made the whole campaign look like keystone cops total amateur night. And of course, we kicked his butt.

CM: But I guess it was a reflection of the just how nasty this campaign was. But the news stories of the time note that even four days before the election, a quarter of the voters in California said they weren't ready to vote for either one of these guys. They really didn't like...

GS: That is correct.

CM: Either one of them.

GS: That is correct.

CM: Right? I mean, it was not an overwhelming mandate.

GS: Yes.

CM: That sort of set the table for what came next, the recall, first of all though, there were actual stories after he was reelected that Davis was being considered or talked about as a presidential candidate. Was he ever really serious?

GS: No, I never believed he was. I mean...

CM: But those were national stories.

GS: Particularly when he was riding high in the 60s in approval rating in 2000, 1999-2000, there was, there was a lot of speculation about him running for governor. In fact, Time or Newsweek...

CM: Running for president, you mean, right?

GS: Running for president.

CM: Yeah. Right.

GS: There were Time and Time where Newsweek had a little blurb at one point, speculating that in 2004, Democrats could have their first all Vietnam veteran ticket with John Kerry and Gray Davis, both decorated Vietnam War veterans.

CM: Right, right, right.

GS: Now, I never believed that Gray ever was interested in running for president, partly because he's very set in his routines, and he did not like not sleeping in his own bed, honestly. There were times where he'd go up to Sacramento, he lived in LA, never lived in Sacramento.

CM: Right.

GS: So there were times when he would go up to Sacramento and instead of staying overnight, he would just come back to...

CM: But he had that house...

GS: ...Sleep in his own bed.

CM: He had that house in Sacramento, the governor's mansion, whatever, the Reagan era home. Right? I remember him inviting us as reporters there.

GS: Yeah. But he never lived there. He lived down here.

CM: It wasn't really his home.

GS: He's an LA guy.

CM: It wasn't really his home.

GS: Yeah. I never lived there for a day either when I was his chief of staff.

CM: Yeah, yeah.

GS: So Gray doesn't like not sleeping in his own bed. And the idea, with all due respect, the idea of him like flying off to Pennsylvania or name a state....

CM: Yeah.

GS: ... Iowa and being met by some 27-year-old advanced guy, he is never met in his life telling him, sir, you have to do this, you have to do that. I mean, I couldn't even imagine him subjecting himself to that. Yeah.

CM: Yeah. So you never took it seriously to talk...

GS: Never. Never for one day.

CM: To talk about it. Even though that was nationally...

GS: Any governor of California is gonna be considered in the pool just because you're running the biggest state, right?

CM: That's right. Right.

GS: Doesn't matter who you are.

CM: Yeah.

GS: And by the way, our predecessor, Pete Wilson actually ran for president, if you recall, and Jerry Brown did it three times.

CM: That's right.

GS: So, but I never thought that Gray ever would subject himself to the rigors of being out on the road constantly and...

CM: Yeah. Yeah.

GS: He did... I mean, Gray, I'm not trying to say this disrespectfully, but I know the guy like the back of my hand. And in my experience in politics, most of the candidates that I've dealt with have fallen into one or more of the following four categories. You have the ideologues who want to push stuff, right? You have the Tom Haydens or the Bernie Sanders on one side, and the Ted Cruz and people on the other side. Right? Or they just love politics. It's like the Hubert Humphrey, Happy Warrior, Bill Clinton, Willie Brown, love to plus... I mean, they get all energized when they get in a crowd and whole thing, or they're

a policy wonk. They're deep down in all the policy troughs. Right? And they know the stuff like the back of their hand and they're into wave power or they're into space satellite, I mean something, whatever. Right?

CM: Yeah. Yeah.

GS: And/or it's noblesse oblige, right? It's like the Dick Riordan thing. Well, society's been good to me and I want to give back, so I'll work for \$1 a year as mayor. Right? And the fact of the matter is, Gray doesn't fit into any of those four categories. I mean, it's not... He's smart. He's very articulate, but certainly not an ideologue. I mean, totally opposite of an ideologue. 'I'll govern from the middle.' Remember his inaugural speech? 'I'm not gonna govern from the right or the left.'

CM: Right.

GS: So he's not in the ideologue category. He gets innervated through campaigning, not energized through campaigning. I mean you start going into stairwells and do deep breathing exercises and whole thing. He taught himself to do it just out of force of will. 'Cause he knew he had to...

CM: Right.

GS: But it's nothing like a Bill Clinton out there 16 hours a day on the campaign trail.

CM: Right. Right.

GS: He's not... I mean, he's smart, but he's not a policy wonk. I mean, if you could describe where was he an expert on policy, right? What would you say? I mean, he did the education thing.

CM: Educational. I was gonna say. Right. Yeah.

GS: Yeah. But unlike some people who write long editorials about arcane policy areas like immigration policy... that wasn't Gray. And he certainly was not noblesse oblige because the guy lived on his government salary in a 1,000 square foot apartment in West Hollywood, two bedrooms. Right?

CM: Right.

GS: So you ask yourself, why did he get into politics? And you know what? To this day, I don't really know.

[laughter]

CM: That's a great point to ask.

GS: I really don't know.

CM: And then, I mean, and considering some of the challenges that we talked about the re-election was tough. The voters weren't happy with either of these two guys. Then came Arnold Schwarzenegger. I mean, what do you... That was a revolution here in California. What do you think was the single biggest factor that led to that? Was that... Was Gray at fault there?

GS: It was two things. It was the public disapproval of Gray with a superhero-type opponent in Arnold Schwarzenegger, bigger than life. And I mean, Gray knew from the very beginning that he was probably toast. He'd say that internally, if this thing qualifies, I'm toast. What we had hoped was... And remember, I had a history with Arnold because in 2001, he threatened to sue me for libel.

[laughter]

CM: That's right. Because you...

GS: I sent out an article that was in a magazine about entertainment It doesn't exist anymore, with a cover story Arnold the Barbarian instead of 'Conan the Barbarian.'

CM: Right.

GS: About his disrespectful treatment of women. And I never heard of the magazine, I'd never read.

CM: That was Premier Magazine.

GS: Premier Magazine.

CM: Right. Right.

GS: I went out and got it at a news stand and took an X-Acto knife and got out the pages. And this is back in the days of faxes, remember faxing?

CM: Oh, yeah. Right.

GS: And I sent it out to my whole press list with a little smart-aleck LA cover memo that said, I think the subject line is that the pig valve. Because it had been reputed that he had his heart repaired with a pig valve. I don't know whether that's true or not.

CM: That's right. Yeah.

GS: He claimed it wasn't. And then the line was, if you haven't read the Premier Magazine investigative piece expose on Arnold and his treatment of women. It's a real touching story, if you get what I mean. And so they threatened...

CM: We're never getting that.

GS: ...to sue for libel for two things. Number one, sending out the article itself, which I had nothing to do with, and it was already out on the news stands. Right?

CM: That's right.

GS: And the cover memo where I claimed he had a pig valve installed, and they said, that's a lie. It's not true. You're defaming him. So five-page, single-space letter, I have it in my file, threatening to sue me for libel and his libel lawyer in Century City, Marty Singer.

CM: Yeah, well known.

GS: Yes. Very well known.

CM: Hired gun.

GS: The funny part of the letter...

CM: Yes.

GS: You remember this at the time Carla was, the funny part of the letter was this five pages about how I defamed him and I libeled him and the whole thing, the end of it was, if you put out any part of this letter publicly, we'll sue you for a copyright infringement because the letter itself is copyrighted. And I called my lawyer and I said, he said, you can't copyright a personal letter. That's ridiculous. Now, they didn't pursue it. He was famous at threatening to sue people for libel.

CM: Yeah. Yeah.

GS: That was one of his things. And my wife at the time went berserk because she thought, oh my God, this multimillionaire is gonna sue us and take everything we have. My lawyer said he'll never follow through with it. You know why? Because we could depose him under oath, under penalty of perjury. There's no way he's gonna submit himself to that on the womanizing stuff. So I had history with him.

CM: Yes.

GS: And what we had hoped would happen with Arnold was that the tabloids, we thought that once he got into it, the tabloids would have a field day with all of his infidelities and his... What we didn't know was he was in business with them. He was in business with the National Enquirer.

CM: Absolutely, yes.

GS: You know? With... What's his name?

CM: Right. I know what you're... Yes.

GS: Anyway. So I mean, far from that, they were actually killing stories like they did with Trump. I'd seen this before when this thing came up with Trump.

CM: Right. What... Okay. I remember getting the story from you on Premier Magazine, having to ask Arnold Schwarzenegger about this at the time. But did you actually think he was going to run, were you watching the Tonight Show the night he...

GS: I was.

CM: And what was your reaction and what was Gray's reaction to the fact that the world's number one action hero just declared for governor.

GS: Well, we thought it was trouble, particularly given... I mean, listen, Gray got reelected in 2002, but our own tracking every, our nightly tracking, the night before the election, his approval rating in our own tracking was only 39 percent.

CM: Wow. Yeah.

GS: We got a guy reelected who had a 39 percent job approval rating, which is kind of hard to do. So even though we won, it was only fought by five points over this sad sack Republican candidate, Bill Simon, who'd been hit by a \$78 million fraud verdict. Right? By investing in a pay phone company. So we knew that it was trouble, we'd hoped that it wouldn't qualify, but we thought that, Congressman Darrell Issa put \$2 million in it 'cause he was gonna run himself.

CM: That's right.

GS: And we had done all kinds of oppo on him. He was arsonist, car thief, I mean all kinds of things that he denies. But we thought, we can get, we can do him in. But then Arnold comes in and elbow's the funder of the recall out of the way, 'cause Darrell Issa decided not to run. And we knew it was trouble. It was just trouble. I mean, it's bigger than life. And...

CM: And then you had to deal with some of the trouble from Democrats for Cruz Bustamante.

GS: Correct. Correct. That...

CM: Did you talk to him? Try to, remember, we should remind the viewers that Cruz Bustamante got into the governor's race.

GS: Lieutenant governor.

CM: Yeah. Lieutenant governor at the time, got into the governor's race after saying he wasn't going to, or that no Democrats should challenge.

GS: Well, what happened was that when the recall qualified, Dianne Feinstein, who you remember, had been under a recall as mayor of San Francisco and beat it. She had previous experience beating a recall and she and Gray weren't close as you know, 'cause the '90 campaign was...

CM: Leona Helmsley. Right.

GS: But anyway, to her credit, she came to Gray and said, you have to go to all the other seven. Because remember, when Gray was re-elected in 2002, we carried all eight statewide constitutional offices. That's the first time since 1882 that Democrats held all statewide offices.

CM: Yeah.

GS: And so every other statewide office holder, secretary of state, superintendent of public instruction, lieutenant governor, they were all Democrats. She said, Gray, you've gotta go and get all those other Democrats to publicly pledge they're not gonna run in the recall to replace you. And Gray didn't want to do it 'cause he thought it was like groveling or it'd make him look weak. So she did it.

CM: Hmm.

GS: She went to every other of the seven statewide office holders, including Cruz Bustamante, and said, you have to publicly pledge not to run because if you get into this and there's a Democratic alternative to Gray, he's probably gonna go down. Right? And they all agreed, including Cruz Bustamante. What we

found out though, after the fact, was he was playing a two-face game from the very beginning. Because one of the things that Bill Lockyer, who was the attorney general told us, was that early on in the process, remember what happens is that when a governor... I mean a governor generally calls the dates of special elections. Like if there's an Assembly member who retires or dies, the governor calls a special election. That's his constitutional duty. But if a governor's under recall, he can't call the date of the special election, that devolves to lieutenant governor.

GS: So what we found out after the fact was that early on in this process, Cruz Bustamante had gone to Bill Lockyer and asked him to issue an opinion about whether if he, Cruz Bustamante, called the date of the special election, whether he could run in the recall election.

CM: Right.

GS: Right? And Lockyer refused to give him an opinion, by the way, 'cause Lockyer figured out what he was up to. He was gonna call the date of the election and then jump into the election. So I mean, totally bad faith, totally bad faith. But what we found was that Gray was very weak. I mean, by this time his numbers were in the 20s, by the way. We thought 39 was bad on the day of the election in 2002, by now they're in the 20s. And so any distraction, except focusing on do you wanna basically throw a Democratic governor out of office and replace him with a Republican, that argument would be eroded if there was a significant Democrat in the race to replace him.

CM: Right.

GS: And in our focus groups and our polling, we found out that Cruz Bustamante being in the race, meaning he was not unknown. Lieutenant governors don't have high name ID.

CM: Right.

GS: But he was the first Latino ever to be lieutenant governor. Right?

CM: Right. Yes.

GS: And so, and he'd been speaker of the Assembly. So he had governmental cred. Right? We found out that him being in the race or out of the race cost us five points. Now the final verdict, the final verdict was 45-55. Right? I'm not saying if Bustamante had not been in it, we could have beat the recall. But him being in it almost guaranteed we couldn't beat the recall. Because what we'd find in focus groups is people would say, well, I know this is a big Republican trick and they've never liked Davis since they're trying to get him out of office. But as long as we can replace a Democrat with another Democrat and also the first Latino, we particularly found that sentiment with Latino voters who are very important obviously in a general election in California. And so we thought, hell, that's the killer. That's the killer. It's not just Arnold.

CM: Mm-hmm.

GS: Now, we gotta fight a Democrat who, by the way, is the second highest ranking Democratic elected official in California.

CM: Right.

GS: The first Latino. Now, we have to fight that. So again, I can't prove definitively that we could have beat it without him in the race, but I'm telling you with him in the race, it made it impossible to beat the recall.

CM: Do you think? I mean...

GS: And by the way...

CM: Yeah.

GS: Poetic justice...

CM: Yeah.

GS: Not only did he only get 31 percent of the vote as the only Democrat on the ballot that really mattered. Right?

CM: Yeah.

GS: He got beat by 18 points by Arnold, but he then of course ran for insurance commissioner in 2006 and got beat by a Republican. And by the way, to this date, it's not 2023, that's the last open seat Democrat to ever be defeated in a statewide election in California.

CM: Ouch.

GS: It was Cruz Bustamante in 2006.

CM: And, I mean...

GS: So he got it just as he deserves.

[laughter]

CM: Looking back...

GS: By the way, he's as dumb as a fence post. Not politically correct to say that. The guy... And by the way, we could have killed him because, I mean, politically because what he was doing was, remember when the governor is outta state, the minute he leaves the state borders, lieutenant governor gets all the powers of the governor devolved upon him or her.

CM: Right. Right.

GS: It's a strange constitutional thing, which like is from the coach and buggy days. But anyway, so, every time Gray was outta state, he was the acting governor. And what he was doing, he lived in Fresno.

CM: Right.

GS: Never had a house in Sacramento. And what he was doing was he was commandeering national guard helicopters to fly his rear end from Sacramento down to Fresno every weekend when he was... And

sometimes during the week. I mean, even Gray Davis never commandeered... The governor doesn't have a plane in California because Jerry Brown sold it.

CM: Yeah.

GS: And so when we found this, and there was a lot of buzz among Highway Patrol about the fact that this guy was misusing Highway Patrol resources by, instead of driving down to Fresno or having his highway patrol driver driving down there, commandeering helicopters, which are used for law enforcement purposes.

CM: That's right.

GS: I mean for highway crashes and all that kind of thing, we could, we knew all of this. We had all the receipts on it. We could've killed him by saying, he's misusing Highway Patrol resources and law enforcement resources for his own personal use. But Gray didn't want to go there.

CM: Yeah. I mean, yeah.

[laughter]

GS: I would've.

[laughter]

You know me.