LAST MAN STANDING

THE ASCENT OF JAMIE DIMON AND JPMORGAN CHASE

DUFF MCDONALD

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For the two who just missed each other

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(10/23/37–09/09/08)

&

Marguerite Scott McDonald
(11/13/08–)

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PROLOGUE

On the morning of September 18, 2008, the phone rang in Jamie Dimon's office. It was Hank Paulson, the secretary of the treasury. For the second time in six months, Paulson had a pressing question for the chairman and CEO of JPMorgan Chase. Would Dimon be interested in acquiring the floundering investment bank Morgan Stanley—at no cost whatsoever?

During one of the most tumultuous months in the history of the stock market—stocks fell 27 percent between August 29 and October 10, 2008—the storied investment bank Lehman Brothers had already failed, the brokerage giant Merrill Lynch had been sold to Bank of America, and the insurance heavyweight AIG had received an emergency loan of $85 billion from the federal government. One of the only remaining questions was whether it would be Morgan Stanley or Goldman Sachs that fell next. The government was desperately seeking to stave off what could have been a wipeout of Wall Street. And here was Paulson, offering Dimon Morgan Stanley for the bargain basement price of $0 per share.

At the government's urging, Dimon had agreed to take over Bear Stearns for $2 a share in March 2008, in a whirlwind 48-hour deal. (The price was ultimately raised to $10.) The transaction had catapulted JPMorgan Chase to the forefront of the financial industry and established Dimon as the government's banker of last resort. "Some are coming to Washington *for* help," Sheila Bair, chairman of the Federal

Deposit Insurance Corporation, later said. "Others are coming to Washington *to* help."

Considered in a historical light, a takeover of Morgan Stanley would have been much more profound than that of Bear Stearns. Dimon was already being compared to John Pierpont Morgan, the legendary banker who was his company's founder, and this deal would have meant a reassembling of the empire that had been forcibly dismantled during the Great Depression, when banks were barred from the securities trade. Dimon, in other words, would have been sitting atop the very same empire his firm's namesake had lorded over nearly a century before.

But it was not to be. Dimon reportedly said he'd discuss it with his board, but his initial view was that his bank shouldn't do it—it would involve a bloodbath for employees on both sides, a doubling of risk, and years of distraction for the company. What's more, the ultimate cost of a deal would have been quite substantial, whether in terms of layoffs, writedowns, or a de-risking of Morgan Stanley's balance sheet. (Dimon has always said it doesn't make sense for two major investment banks to merge.) Moreover, his team was already busy preparing a bid to take over the deposits and loans of the Seattle-based bank Washington Mutual, also on the verge of failure.

The amazing thing: Paulson really didn't have anyone else to turn to. Dimon was quite literally the only chief of a major bank to have properly prepared for the hundred-year storm that had hit Wall Street with such vengeance. Everyone had known that the capital base of the financial sector had been in desperate need of shoring up, but Jamie Dimon was alone among his peers in having actually done something instead of just talking about it. As a result, of all the actions taken by the government in the fifteen months since the crisis had started, the only thing that had really worked was *giving it to Jamie*. Which is exactly why a desperate Paulson was trying to do it again. But he proved unable to persuade Dimon to pull off a third major deal in 2008. Morgan Stanley eventually pulled through. But even without this deal, Dimon's reputation continued to ascend to new heights. In the midst of the most serious and far-reaching financial crisis since the 1930s—much of it caused by plain old avarice and bad judgment—Dimon and JPMorgan Chase stood apart. Much of the melodramatic coverage of Wall Street postcrisis has focused on its flaws—the hubris and the greed. Jamie Dimon's story contains the opposites—the values of clarity, consistency, integrity, and courage. By sticking to them, Dimon has unquestionably become the dominant banking executive of his era. "Banking is a very good business if you don't do anything dumb," says Warren Buffett. "Morris Shapiro said long ago that there are more banks than bankers, and that's fundamentally the problem. But Jamie is a banker from head to toe."

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In the two years following the height of the crisis in September 2008, $300 billion of taxpayer money was thrown at the banking industry, 250 banks went under, and Americans endured the pain of 10 percent unemployment. Scores of formerly high-flying financiers saw their reputations destroyed while a handful of once great banks was relegated to history's scrap heap. Jamie Dimon was the one glaring exception. Both he and JPMorgan Chase solidified their place at the top of the power structure of global finance.

The bank made progress even as much of the industry struggled to find its footing. JPMorgan surpassed Goldman Sachs as the leading investment bank in the country in 2009. And while Bank of America continued to hold slightly more assets than JPMorgan Chase's $2.1 trillion, that bank's imperious CEO Ken Lewis stepped down in early 2010 amid unceasing criticism of his stewardship of the firm. JPMorgan Chase, on the other hand, did not report a single losing quarter during the entire crisis from 2007 onward. Jamie Dimon was quite literally the last man standing among his peers.

Dimon used the turmoil to make selected acquisitions to fill in a few remaining holes in JPMorgan Chase's portfolio and enlarge its global footprint. In November 2009, it purchased the remainder of London-based investment banking joint venture JPMorgan Cazenove for $1.7 billion. In February 2010, the company paid another $1.7 billion for a number of global and European commodities trading businesses from UK-based RBS Sempra. Yet Dimon's trademark conservatism still reigned: through the end of March 2010, the firm had built up companywide credit reserves of more than $39 billion, approximately 5.6 percent of total loans made by the bank.

The company's board rewarded Dimon by paying him $17 million for 2009, nearly double the take of Goldman's Lloyd Blankfein, who earned just $9 million. It is a paycheck that at least a few believe he richly deserved: a May 2010 analysis by *Bloomberg Markets* magazine reported that Dimon was first among all bankers in 2008 and 2009 in terms of market value delivered in return for compensation paid.

But Dimon's success made him one of the primary targets of public anger at the financial system. Instead of being rewarded for having avoided the high-risk casinolike gambling of his competitors, JPMorgan Chase became the poster child for the kind of institution that taxpayers might be called upon to bail out in a future meltdown, the epitome of the concept of "Too Big to Fail."

As the White House prepared to impose new rules on the financial system, the conventional wisdom assumed that Dimon's voice would be heard inside the West Wing. After all, Dimon had longstanding credentials as one of the few reliable Democrats on Wall Street and had supported Obama in his run for the presidency from the very start. The *New York Times* even called him "President Obama's favorite banker" in July 2009. Obama certainly didn't dispel the notion. He concluded a 2009 meeting about the economy with several prominent CEOs by saying, "All right, I'll talk to Jamie."

But precisely because he was the last man standing—without the kind of controversies that put Citigroup and Goldman Sachs on the front pages—it was Dimon who found himself the most a vocal defender of the industry. Because of that, he increasingly found himself at odds with Obama's plans for financial reform. In June 2009, he responded to some of the president's proposals by warning of the "pendulum swinging too far" in an editorial in the *Wall Street Journal.* In April 2010, he called plans to tax recipients of TARP funds a "punitive bank tax." He opposed a new consumer protection agency, arguing that it would only increase bureaucratic paperwork. And he pushed hard to head off derivatives reform that would force the company—by far the largest player in the over-the-counter market—to create a separately capitalized subsidiary to trade such securities.

Dimon thought he should have earned more goodwill for having managed the bank more prudently during the crisis than the likes of Lehman Brothers, Merrill Lynch, and insurer AIG. "The incessant broad-based vilification of the banking industry isn't fair and it is damaging," he told the *Wall Street Journal.* "Punishing whole industries, whether you were reckless or not, just isn't the way to do things." He even told the president himself that he thought Obama's antibank rhetoric wasn't "helpful."

In late June 2010 came the ultimate irony: according to the *New York Times,* the biggest loser from the financial reform bill passed by Congress that month would be none other than JPMorgan Chase, the one bank that hadn't stumbled badly during the crisis. This despite the fact that JPMorgan Chase had spent $6.2 million lobbying Washington in 2009, more than any of its peers. The firm, which by 2010 had the broadest portfolio of businesses of any of its competitors, took the most hits in financial reform, from slashed interchange fees to increased costs in its swaps business and constraints on trading for its own accounts.

But JPMorgan Chase and Washington know tomorrow is a new day: in the same month that the reform package went through Congress, the bank, along with Morgan Stanley, was given the lead underwriting role on the upcoming initial public offering of government-owned General Motors. So the worlds of banking and Washington, with Dimon and Obama at the top, move forward.

While financial reform will change the future of Wall Street, it cannot change the historical record. By the summer of 2010, JPMorgan Chase could claim that it was number one, two, or three in all of its major businesses—a position the institution hadn't enjoyed in nearly a century. It was the company's 225,000 employees who got them there, but the man at the helm was Jamie Dimon.

1. BANKING IN THE BLOOD

Jamie Dimon is a banker by blood. His paternal grandfather, Panos Papademetriou, was a Greek from Smyrna who worked in banking before leaving Greece during its war with Turkey. He arrived in New York in 1921, by way of France and Canada, settling in Manhattan and promptly shortening his last name to Dimon. The mischievous immigrant later offered his son two stories about the changing of his name. In the first, he sought work as a busboy but found that no one would hire Greeks. "Dimon" sounded French—and Papademetriou was fluent in French—so he changed it to get a job. In the second version, he fell in love with a French girl and chose the name for amorous purposes. Either way, he clearly felt he would do better with an American-sounding French name than with a Greek one.

Panos didn't last long as a busboy—family lore has it that he was fired, and he subsequently found work at the recently opened branch of the Bank of Athens, a subsidiary of the National Bank of Greece. After working his way up to vice president in charge of loans, he left the bank in 1949 to become a stockbroker at Shearson Hammill.

Panos's son Theodore became a stockbroker, too, joining his father at Shearson Hammill in 1953, a year after his marriage to Themis Annastasia Kalos, also the child of Greek immigrants. The brokerage, founded at the turn of the twentieth century, had a national presence as well as a reputable investment banking operation. Shortly thereafter, Theodore and his wife moved to East Williston, Long Island. Just 25 miles from New York City, the village was enjoying a burst in population growth as Americans embraced the postwar suburban ideal.

Their first son, Peter, was born in 1954. Fraternal twins soon followed—Jamie and Ted Jr.—on March 13, 1956. Ted Sr., who commuted to Shearson Hammill's offices on 44th Street and Fifth Avenue in his gray Convertible Dodge, soon grew tired of the commute, and persuaded his wife to move back to New York. The family of five settled in a rental apartment in Jackson Heights, Queens, where young Jamie attended PS 69 from kindergarten through the fifth grade.

Jamie was a precocious child. His mother remembers him looking at her "as if he was an adult" as early as the age of two. He also felt a need to keep up appearances. Even as a youngster, he refused to come out of his bedroom in his pajamas if his parents had guests. He was also extremely active, prone to leaping across the room rather than walking. Fluent with numbers from a young age—he remembered phone numbers as a small child—Dimon launched his first business at the age of six, attempting to sell greeting cards. The effort failed, but there was no doubt about his enterprising nature.

In this, he took after his grandfather, Panos. An elegant and intellectual man, Panos spoke several languages, and he dabbled in psychoanalysis while dissecting balance sheets. Young Jamie's father was also an early influence, particularly in his choice of profession. Dimon later said that he learned a great deal about the brokerage industry "across the kitchen table."

For a child from a comfortable background, Jamie exhibited an unusually early desire to be financially successful. At the age of nine, he announced to his father that he was going to make a fortune when he grew up. Whether his parents took him seriously or not, Dimon never wavered from that goal. The family photo collection includes a picture of him at the age of 21 studying J. Paul Getty's *How to Be Rich*, a collection of columns he'd written for *Playboy* on the subject.

He was, in most other ways, a typical boy, getting into the occasional scrape. Dimon and his twin brother Teddy were in a kids' "gang" they called Lightning Squad, and they battled older boys (including their own brother) in the courtyard of their apartment building.

(Dimon's relationship with his parents has always been close. When he threatened to run away from home at the age of five, his mother replied by asking him where he would go. "To the woods," he said. She asked him what he would eat: "Wild berries and flowers." What would he drink? "Water from a lake." Where would he sleep? "I'll make a bed from twigs and leaves." Finally, she asked, where would he go for love? After thinking for a minute, he said, "I'll come home." In the end, Dimon decided not to run away.)

In 1967, when the twins were 11 years old, their parents gave the suburbs another shot, moving to a modest two-story house in the village of Larchmont, just north of New York City. Dimon's mother remembers asking him at bedtime a few nights after moving how he liked his new bedroom. "I don't know the shadows in the room yet," he replied. "But it'll be OK."

Dimon spent sixth grade at Larchmont's Murray Avenue School before his parents moved the family back into the city, this time to a four-bedroom co-op at 1050 Park Avenue. (Although he has accomplished much, Dimon's is not a Horatio Alger tale. He has spent the majority of his life within the same five blocks on Park Avenue, home of New York's upper class.) Ted Dimon, who eschewed borrowing money his whole life, paid cash for the apartment.

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Themis Dimon wanted her sons to continue in school together—she was the kind of mother who dressed all the boys in the same outfits—and in April 1968, she applied for them to attend Browning, a private all-boys' school with 189 students in a pair of converted town houses on East 62nd Street that had been founded by John Browning, a close friend of John D. Rockefeller. (Rockefeller's son, John D. Jr., attended from 1889 to 1893.)

The Dimon boys were accepted, and they all completed their high school years at Browning. Dimon was in the school choir for a time, but quit in favor of sports. He played varsity soccer, basketball, and baseball. Browning was a small school, and its basketball court was also its auditorium; Dimon once broke his front teeth on the stage while lunging for a ball. (One nickname in high school was Mad Dog.) The starting center fielder on the school's baseball team, he hit over .500 during his junior year, though he never loved the sport. "My arm was always hurting and I found it kind of boring," he recalls. He also preferred to see his girlfriend after school rather than go to baseball practice.

Two years into their time at Browning, Dimon and his brother Ted Jr. met a friend to whom they have remained close ever since. Jeremy Paul had moved into Manhattan from Connecticut. Often a dinner guest at the Dimon house, Paul remembers Ted Dimon Sr. coming across more as an intellectual than a stockbroker. A student of philosophy and a writer of poetry, the elder Dimon was also a trained violinist, and played in a string quartet in the family living room during social events. Themis, too, had an intellectual bent. The year the twins went off to college, she took classes at the New School, and ultimately got her master's degree in psychology from Columbia. "Dinner at their house was really fun," Paul recalls. "It wasn't just, 'Pass the potatoes.' Whatever the topic was that day, it was taken very seriously."

In a family of outspoken individuals, Teddy had even more of a mouth than his brothers. He wasn't afraid to provoke other teenagers, either, in part because he could always count on Jamie to come to his aid. Perhaps as a result, Jamie can be fiercely protective of those close to him. Throughout his career, he has been characterized as having an aggressive personality, and he will not deny that. But he is no bully. He hates bullies.

The Dimons, who lived at 86th and Park, walked down Park Avenue to school each day, picking up Paul on 77th Street. Already punctual to a fault as a teenager, Jamie Dimon insisted that the only time Paul was late was when it was raining, just to force the Dimons to wait in the rain.

Dimon had an almost idyllic childhood. Summers were spent mountain climbing in Colorado or taking French immersion at the Université de Poitiers in La Rochelle. Confident, good-looking, and athletic, Jamie was also something of a heartthrob. "In senior year, he majored in his girlfriend," recalls one friend. When he graduated, her photo graced his personal pages in his yearbook, along with those of his parents, his brothers, and his beloved sheltie, Chippy. When it came to relationships, Jamie Dimon was *that* guy—the one to whom women were attracted, but who always seemed to have a girlfriend.

Though not the best student, Dimon never ranked below sixth in his class at Browning. History tended to be his favorite subject, but his best marks were in math, where he demonstrated an intuitive grasp of the subject. In Dimon's final year at Browning, his calculus teacher suffered a heart attack. Her replacement didn't know calculus, and the six boys taking advanced placement calculus were told that if they wanted to continue, they would have to teach the subject to themselves. Three of the students decided to throw in the towel, but Dimon and the remaining two—one of whom was Jeremy Paul—spent a challenging year of self-instruction. "As far as working experiences go, that was pretty intense," recalls Paul. "Each day we'd go into the classroom and there was no teacher, just us. And we'd sit there, trying to work our way through the problems."

Dimon also demonstrated an early capacity for ethical leadership, exemplified by an episode in an American history course. One day, the only African-American student in the class had been acting out and was told by the teacher to leave the room. Once the door closed behind him, the teacher turned toward the class and muttered, "Six hundred thousand died to free the slaves, and this is the gratitude we get." Dimon stood up, grabbed his things, and walked out the door. "He blasted me for not going with him," recalls Paul. "And he was right."

He was never afraid to challenge authority. Michael Ingrisani, Dimon's high school English teacher, continually came up against Dimon's assertiveness, which was usually punctuated by a demand to Ingrisani: "Prove it." Browning had a policy, for example, that if a student scored above 90 percent during the term, he was not required to take the final exam. In Dimon's senior year, he had earned 89 percent in English, but he tried on numerous occasions to concoct an argument for why he, too, should be exempt from the final.

"Wow," Ingrisani thought, after one of Dimon's pleading sessions. "He's negotiating. He's practicing. And he knows he has nothing to lose by trying."

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Despite having been a smart, popular student, Dimon has mixed recollections of his high school years. He was a little too rambunctious, and his outspokenness grated on some teachers; he had a vague sense that a number of the more traditional among them didn't really like him. As a result, he was later told, his college recommendation letter conveyed reservations to admissions officers. That was indeed the case. After praising Dimon's "keen, analytical mind" and "self-motivation and seriousness of purpose" in the letter, Clair Smith, the assistant headmaster at Browning, added a loaded compliment: "His lack of manners, due to habits of making quick judgments and contradicting others, has been greatly improved." Reversing course once more, Smith finished on an up note: "He will be successful."

Despite graduating fourth in his class, Dimon was not accepted by the college of his choice: Brown University. He went to his second choice, Tufts, where he majored in psychology and economics. The latter proved to be his passion. After writing a paper on Milton Friedman's *Capitalism and Freedom*, he was encouraged by his professor to send the paper to Friedman himself. The economist responded with an eight-page letter, critiquing Dimon's critique. "He said something along the lines of, 'Son, I really appreciate you sending this to me. While I agree with some of your points, you're wrong about a, b, c, and d, and there's some faulty logic here and there,' " recalls Dimon. "I was blown away by it. Partly as a result of that, I always try to reply when someone sends something to me. I can't write an eight-page critique, but I try."

It was another economics paper, though, that set the trajectory of the young man's life. During his sophomore year, he wrote an analysis of the 1974 merger of Hayden Stone and Shearson Hammill in which he explored the savings one could achieve by combining an efficient company (Hayden Stone) with an inefficient one (Shearson Hammill). He knew of the transaction through his family, as his father was still working for Shearson Hammill at the time of the deal. Hayden Stone was the acquisition vehicle of one Sandy Weill, in the midst of what was the first of his two empire-building campaigns.

By this time, Jamie Dimon had actually met Sandy Weill; his parents had become close to the garrulous financier and his wife, Joan. Ted Dimon Sr., as impetuous as his son, had written Weill a memo at the time of the merger, laying out his demands if he were to stick around under the Weill regime. When the elder Dimon called Weill to ask what he thought of the memo, Weill said that he had no thoughts at all, that he'd thrown it out. He proposed that the two men get together for a drink at the private, exclusive Harmonie Club—a Jewish preserve—instead. When they met, Weill asked Dimon to repeat his "demands." "I want this . . . ," began Dimon. "Yes," replied Weill. "And I want that . . . ," continued Dimon. "No," replied Weill. And so on.

Overall, Dimon Sr. liked what he heard. This was a man who offered no bullshit, who genuinely seemed to understand the broker's concerns. He said he would allow Weill to "continue to process his trades." Translation: there might be a company name on his business card, but Ted Dimon Sr. reported to no one. He ran his own business. (Later in his career, when Jamie had become his father's superior, the son would confirm that Dimon Sr. still considered himself a free agent, that "he would never say I was his boss.")

Before long, the Weills and Dimons were spending significant amounts of time together. They spent a few weekends together in East Hampton, and the Dimons joined the Weills at one or two seder dinners. The glue of the relationship was the wives, who had lunch between classes at the New School—Joan Weill was also taking courses in 1975—and through their friendship, Dimon and his siblings came to know Weill's children, Marc and Jessica. (Friends in their teens, the three crossed paths again while working for Weill in the 1990s.)

Excited that her son had chosen a thesis topic that touched on both her family and her friends, Themis asked him if she could show the paper to Weill. "I have never seen the merger from this point of view," Weill told her after reading it. He sent Dimon a note that read, "Terrific paper. Can I show it to people here?" The forthright student seized his opportunity. "Absolutely," he replied. "Can I have a summer job?" Weill hired Jamie Dimon to work with the budgeting team in the company's consumer business that summer.

Joining his parents at the Weill house on weekends, the young Dimon peppered Weill with questions about why the company was doing one thing or another. When Weill once bragged to the younger man that all its branches were profitable, Dimon told him he was wrong. "No, they're not," Dimon said. "Four of them are losing money." Though somewhat taken aback by the young man's cockiness, Weill liked him a lot and encouraged him to keep asking questions. He figured Dimon's aggressive temperament would soften with age.

Dimon didn't much enjoy Tufts, at first. In addition, too many students didn't take school seriously enough for him. He considered it "camp without counselors." During his freshman year, he applied to transfer to Princeton, but was turned down. Eventually, he made close friends at Tufts, and grew to love the place. His classmate Laurie Maglathlin (née Chabot) recalls that Dimon didn't seem to have to study much—he was one of those irritating people who do really well without trying too hard.

Dimon excelled academically and graduated summa cum laude in 1978. A class photo shows a confident man, blithely unaware how silly he might look years later with his shaggy 1970s hairdo. Dimon applied to Harvard Business School and was admitted, but then he delayed entering, deciding he'd rather work for a bit first. Applying to about 15 companies—including consulting giants like McKinsey and the Boston Consulting Group—he received just a single job offer, from a small outfit in Boston called Management Advisory and Consulting that had been found by professors from Harvard Business School. He spent the next two years there.

He remained as headstrong as he'd been all his life. When one partner demanded he work all weekend and deliver a finished project by 9:00 A.M. Monday, Dimon dutifully did as he was asked. Come Monday morning, however, the partner didn't even show up to see the results. Dimon's first instinct was to quit. Instead, he confronted the partner, who said he'd just wanted to make sure that the project was finished promptly. "But you ruined my weekend," Dimon replied. "And because of that, I will never work on another project for you again." When colleagues told him that he wasn't allowed to make such unilateral decisions, Dimon was defiant. "Yes, I can," he said. "And they can fire me if they want to." (They didn't.) In another instance, he refused to work on a project for a cigarette maker.

"I saw some things while I was there that were just astounding," Dimon recalls. "I remember one client's CFO being just downright dishonest. I also thought the bureaucracy of many places was over-the-top. The BS that happens at so many companies—I was blown away by it. I didn't want to be a consultant, but I learned a lot there, including the idea of fundamental research. I had no idea that if you were working for a fishing rod company, you could go to the library and look at 24 fishing magazines. And that there were fishing mailing lists and that kind of thing. It opened my eyes to all of that."

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Among his brothers, Jamie was alone in pursuing business. Freed by their upper-middle-class upbringing to do exactly as they pleased, both Ted and Peter chose intellectual pursuits. Peter got a PhD in physics from the University of Chicago, and Ted Jr. became an educator and an expert in a mind-body discipline known as the Alexander technique. But Jamie never lost sight of his original goal: "success."

The year that Jamie entered Harvard Business School (HBS), 1980, Wall Street was a wreck, and corporate America was stumbling after the cursed late-1970s period of stagflation. "Not many people were going into finance at the time," recalls the HBS professor Jay O. Light. "In that sense, it was a special class, people who were *truly* interested in finance, and not just following the crowd."

Dimon stood apart even among that group—which included the future hedge fund managers Seth Klarman and Steven Mandel; the future chairman and CEO of G.E., Jeffrey Immelt; and the future president of Comcast, Stephen Burke. Within weeks of arriving at school, Dimon showed his fearlessness. Discussing a case study about the financial operations of a cranberry co-op, he challenged a professor. Case studies, the bread and butter of education at HBS, involved a group approach to solving issues in highly complex business situations—usually taken from real life—for companies and their managers. "Imagine 80 or

90 people, most of them feeling insecure, that they were an admissions mistake of some sort," recalls Burke. "And Jamie raises his hand and says, 'You've made a mistake.' Everyone froze. We all thought he was committing suicide. But Jamie walked up to the board and changed a few things, and the next thing you know, the teacher said, 'Oh my God, you're right.' It was a confidence with no fear."

Jay Light noticed the same thing that Mike Ingrisani had at Browning—Dimon had a powerful independent streak, and often a different grasp of what a manager's priorities should be in case studies. He bore down on fundamental issues such as expense strategy and risk management. One day, in a class discussion of various fixed income investments, Light challenged Dimon on the concept of investing in a long-term zero coupon bond that nevertheless had a 15 percent yield-to-maturity. (In other words, although the bond offered no annual interest payments, it was selling at a price that would offer a 15 percent annualized return at maturity.) Dimon launched a bomb into the middle of class: "If you don't see the merits of investing in a 15 percent zero coupon bond, Professor Light, then you probably shouldn't be teaching this class."

James "Longo" Long, who had come to Harvard after a stint at Hewlett-Packard in California, was dismayed by what he considered the lack of concrete "business" experience of many classmates who had worked in investment banking and consulting. "These people don't know much, but they do know how to talk all the time," he thought. He'd been told that half of the education at HBS was what one learned from other students, and this didn't look as though it was going to be much. But Long took a liking to Dimon, who didn't seem preoccupied with merely impressing others, and ended up in a study group with his new friend by the end of the year. "He was a straight shooter," recalls Long. "It was fun to be friends with him, even though he could be a pretty serious guy."

(Dimon did like to unwind. He, Burke, Long, and their classmate Peter Maglathlin formed what they called the Thursday Night Club, and usually went out and drank from 90-ounce "scorpion bowls"—a lethal concoction of fruit juice and rum. The club congregated at the

Hong Kong on Harvard Square—affectionately referred to as "the Kong"—and hashed through the events of the previous week.)

At business school, Dimon was obsessed with self-improvement. On midterm exams in the first year, he performed extremely well in all but one class, the study of organizational behavior, in which he was only slightly better than average. Burke, though, had aced the midterm in organizational behavior. "It drove him crazy that he didn't do well and I did," recalls Burke. But Dimon then surprised him. He asked if he could read Burke's "blue book"—the universal medium of college exams—so that he might understand why Burke had done better. No one had ever asked Burke *why* or *how* he had done well on an exam, but he nevertheless allowed Dimon to try to do just that. Come finals, Dimon was near the top of the class. "Part of his psyche is having a strong enough ego to be willing to say, 'I want to know why you did better than me,' " says Burke. "To put himself out there like that."

He also stood out for another reason. Business schools, by their nature, tend to be chock-full of Republicans. But Dimon was a Democrat, and an outspoken one at that. He was also prone to conversational tangents on the importance of ethics and the imperative of "doing the right thing," topics that had yet to enter the lexicon of most of his business school peers.

(The independent Dimon even cultivated an outsider persona in nonacademic ways. He didn't live in university housing, instead staying in an apartment a one-minute walk from campus. He also eschewed the traditional uniform of the B-school student—khakis and button-down shirts—and wore jeans and often a blue leather jacket. His classmates actually remember that of the 75 students in their year, Dimon was the absolute worst dresser.)

Every year, new students are told that half of their grade in each course with be based on class participation. The result: a room full of overanxious overachievers trying to interrupt one another, for fear of not being noticed by the professor. On the *second* day of class in his first year of business school, Dimon was speaking when another student began wildly waving a hand. Dimon turned toward the student and said, "Put your fucking hand down while I'm talking." The student slumped down into his seat, and Dimon moved right on with what he was saying.

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At the start of his second year, Dimon was vice president of the school's finance club—an indication, if nothing else, of a man who read company financials in his spare time. Judy Kent, an exceedingly attractive and feisty HBS student from Bethesda, Maryland, who had graduated from Tulane and then worked at the management-consulting firm Booz Allen Hamilton in Washington, was one of four roommates of the club's president. Early in the year, another of Kent's roommates, Sue Zadek, had met Dimon at the wedding of his friends the Maglathlins and suggested that Kent check out the young man, as he was cute and charismatic. (It was a small world back then. Zadek attended the wedding with Steve Mandel, whom she later married. Also in attendance was Jeffrey Immelt.)

A driven young woman, in her own right, Kent had earned a master's degree from Catholic University while working for Booz Allen, but she'd decided to attend Harvard for another leg up. The daughter of a real estate entrepreneur, she was the first in her family to go to college. (She claims to have been one of the classmates who watched Jeff Immelt at HBS and predicted that he would run General Electric one day.) After hearing of Dimon from Zadek, Kent grilled Laurie Maglathlin about the brash young student. Although Maglathlin was protective of her friend, she did give him a ringing endorsement.

Walking through campus one afternoon, Kent and Zadek passed by the Pub, a snack bar for students. Zadek pointed Dimon out to her, and Kent was intrigued. "In the midst of pastel shirts, here was this guy wearing all black, and sunglasses," she recalls. More interesting, though, was the fact that while he was participating in the conversation at his table, he seemed to be completely aware of everything else around him without being consumed by it. "He's sphinxlike," Kent thought to herself. Not long afterward, when Dimon called Kent's apartment to speak to the president of the finance club, she shouted out that she'd like to speak to him after the club's business had been concluded.

Handed the phone, Judy Kent asked Dimon if he played tennis. "Sure," he replied. "Fine," she said, "I'll meet you tomorrow." She remembers that although she played as hard as she could she failed to present Dimon with much of a challenge. He asked her afterward if she'd like to get a "malted." She thought the terminology charming, and said yes, and the two went to the Pub for a drink. (He didn't have any money, so Kent paid.) She walked him home, kissed him on the cheek, and resolved to see him again. "I was just so drawn to him," she recalls. "It was instinctual." A short time later, he asked her out for dinner (he paid this time), and the two were soon inseparable. He even dared to ride with her in her dented, rusty gold 1977 Cutlass. "She drove like a bat out of hell," recalls their friend Peter Maglathlin.

(There is another, more straightforward version of the story of the meeting of Jamie and Judy, told by their classmate, future G.E. chairman Jeffrey Immelt. When one executive at JPMorgan Chase asked Immelt about the dynamics in their long-ago Harvard section—specifically, how Jamie and Judy got together—he responded simply, "Judy was by far the best-looking, sexiest, and smartest girl in the class, and Jamie got to her first. That's about it.")

Judy was able to break through the young man's uncompromising exterior and connect with someone who had surprisingly vast reserves of sentimentality. Dimon, for example, worshipped the family dog, Chippy, whom he'd brought to Boston with him. When Chippy later died, the twins (Ted Jr. lived in Boston at the time) decided to bury him at night on a hill he'd enjoyed running on. Taking Judy's car, Dimon dressed his dog in a favorite rugby shirt and headed off into the night with his brother.

He remembers the experience to this day, in part because he caught a bad case of poison sumac that night, which broke out in sores during finals week. To help him write his exams without oozing all over the blue books, Judy Kent wrapped paper toweling around both of Dimon's arms, securing it with masking tape. This was true love.

Near the end of their second year, on a weekend at his parents' country place, Dimon proposed and she accepted. Shortly afterward, on a trip to New York, Dimon surprised his father by asking if he would play a piece for him and Judy on his violin. "What did you say?" asked Ted Sr., unaccustomed to such requests from the least musically inclined of his three children. "I said, 'Would you play a piece for us?' " Dimon replied. Ted Sr. did so, and when he put the violin down, Jamie Dimon told his parents that he and Judy were engaged.

Dimon and Kent graduated from HBS in 1982. Dimon was named a Baker Scholar, a distinction bestowed on the top 5 percent of each graduating class. The couple packed their bags and headed for New York City.

2. THE MENTOR

Fresh from Harvard Business School, Dimon could write his own ticket on Wall Street. In the spring of 1982, he had three job offers—from the investment banks Goldman Sachs, Lehman Brothers, and Morgan Stanley. He called Sandy Weill, then the chairman of the executive committee of American Express, to ask for advice, and Weill invited Dimon to his office for a chat. Dimon had worked at Goldman Sachs between his first and second years at business school, and that firm was ready to give him an opportunity very few people have ever refused: the chance to work at Wall Street's most prestigious (and lucrative) partnership. As Stephen Burke puts it, 95 out of 100 of Dimon's classmates would have taken the offer from Goldman. Dimon told Weill that he was close to a decision to do that very thing.

"What's more important to you?" Weill asked Dimon. "Making the most money or continuing on the fastest learning curve?" At the time, Weill was in charge of all the treasury and financial functions at American Express, and contending with his own learning curve. He floated a fourth option to Dimon. "How would you like to come be my assistant and we can learn this thing together? We can learn a heck of a lot about how corporate America works and how a diversified financial services company works. You probably won't make half of what you'd be making at Goldman, but that's a far more concentrated and high-pressure job, and I don't know what you'd be *building*."

Dimon was intrigued. The potential riches aside, one major drawback of the investment banking business is psychological. At their core, investment bankers don't actually build anything; they move other people's money from hither to yon and grab a piece of it as it's passing by. And here was Weill, offering an entrée at the very top of American Express. Dimon accepted the offer—for two-thirds of what Goldman was offering.

"My goal in life was not to be an investment banker," Dimon recalls. "I loved the concept of helping build a company . . . the whole painting. Something that was yours over a long period of time that you could be really proud of. And Sandy had done it before with Shearson. I also thought I could always change my mind if it didn't work out. It was a little risky, because Sandy was just chairman of the executive committee at American Express—whatever that meant—but he was honest with me. He said, 'I'm not sure it's going to work out here, but I think you're a smart kid and we'll see how it develops.' "

By choosing Weill over Goldman, Dimon once again set himself apart from the crowd. Although the investment banking industry had not yet reached its mid-1980s apotheosis—as caricatured by a suspender-wearing Michael Douglas in the 1987 film *Wall Street*—the 1980s bull market was already up and running, and investment bankers were feeling giddy and powerful. Most Harvard graduates would have killed for the job at Goldman that Dimon turned down. So began one of the greatest mentor-protégé relationships in the history of American business.

Sandy Weill saw Jamie Dimon for what he was: an ambitious young man with an enormous capacity for hard work. "You can't bluff your way into being a Baker Scholar," he thought. And Jamie Dimon saw Sandy Weill for what *he* was: a minor legend on Wall Street who was offering the young man a ride in an express elevator to the executive suite. And American Express was itself a prestigious institution, so it wasn't as if Dimon were forsaking Goldman Sachs for a bucket shop.

(In the meantime, Jamie Dimon and Judy Kent endured one of New York City's more painful initiation rites—the apartment hunt. The couple eventually signed a lease at 300 East 56th Street, in a 33-story building known as the Bristol in New York's Sutton Place neighborhood, and began their adult life as New Yorkers.)

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Just like the Dimon family, the Weills were part of a wave of European immigrants that descended on New York in the early twentieth century. The son of Polish Jews, Sandy Weill grew up in a modest home in Brooklyn. After graduating from Cornell in 1955, he married the former Joan Mosher, then returned to New York for a $35-a-week job as a runner at Bear Stearns.

They lived in a $120-a-month apartment in East Rockaway, where their neighbors were another young Jewish couple, Arthur and Linda Carter. In 1960, Weill and Carter opened their own firm with two other friends, Roger Berlind and Peter Potoma. The firm was called Carter, Berlind, Potoma & Weill (CBPW), and soon carved out a niche as a small "research boutique," alongside another emerging outfit, Donaldson, Lufkin & Jenrette (DLJ). (As Roger Lowenstein pointed out in a profile in 2000 in the *New York Times Magazine*, ethnic divisions on Wall Street were still strong and resulted in the firm's nickname: "the Jewish DLJ.") Along with research, CBPW offered both brokerage and investment banking services.

The firm scratched and clawed for business from the conglomerate builders of the 1960s, including Charlie Bludhorn of Gulf + Western and Saul Steinberg. A couple of fortuitous hires and palace intrigues later, Arthur Carter and Peter Potoma were forced out of the firm, and Arthur Levitt—who later went on to be chairman of the Securities and Exchange Commission—and Marshall Cogan were in. The firm, now Cogan, Berlind, Weill & Levitt (CBWL; nickname: Corned Beef with Lettuce) set up shop in the new General Motors Building on Fifth Avenue, right off Central Park.

Business boomed for CBWL in the late 1960s—the firm brought in $18 million in 1969—so much so that the partners received a call one day that their clearing partner, Burnham & Co., could no longer handle the volume of trading activity they generated. Known on Wall Street as a "back office" function, clearing was vital to a brokerage firm's existence. A brokerage couldn't buy or sell stock for clients without someone to take care of the legal and logistical paperwork for it. The partners decided to build their own clearing operation, and hired Frank Zarb, another Brooklyn-born up-and-comer, to build out a back office. "The idea was simple. We had to conquer the back end of the business as well as the front end," recalls Zarb. "If we didn't, we really couldn't be a leader."

The company ran a lean operation, but nevertheless poured scarce resources into the expansion. Its timing couldn't have been worse, as the stock market soon went into a tailspin. But as Monica Langley points out in *Tearing Down the Walls*, her biography of Weill, he had an insight that would shape the rest of his career. "You can't control income," he told his worried partners. "It varies based on conditions outside of our control. But you can control expenses." Taking charge, he slashed executives' salaries by 25 percent and those of the rank and file by 10 percent. This would be the start of Weill's reputation as a ruthless cost-cutter, a skill he would pass on to Dimon.

By maniacally focusing on costs, CBWL positioned itself to buy distressed assets from competitors sagging under their own bloated operations. In March 1970, Weill and his partners made their first such move, taking a Beverly Hills brokerage office off the hands of a struggling McDonnell & Co. Next up: Hayden Stone, a nationwide brokerage with 62 branches that was facing its own financial challenges. After a dramatic series of negotiations, CBWL swallowed its much larger rival in September 1970, and changed its own name to CBWL-Hayden Stone.

Over the next decade, Weill and his partners went through the same motions again and again, buying H. Hentz & Co., Shearson Hammill (the deal that brought Ted Dimon Sr. into the fold), and Loeb Rhoades. "We had this machine," Weill told the *New York Times Magazine.* The firm changed its name with similar frequency. In 1974, it was Shearson Hayden Stone; in 1979, Shearson Loeb Rhoades.

Weill's growing reputation was rife with contradictions. Somewhat inarticulate and unpolished, he nevertheless had "the vision thing" and had the ability to see several steps ahead and sniff out opportunities for deals. Despite his growing stature, he continued to think of himself as an outsider. His religion was a part of that perspective. Sandy Weill was Jewish, and although he and his partners had built the second-largest securities firm in the country after Merrill Lynch by 1980, and there were plenty of successful Jewish firms on the Street (Goldman Sachs, Bear Stearns, and Lehman Brothers, to name three), anti-Semitism still loomed large in other quarters.

A broker from the start, Weill never lost the habits of the profession. "The joke about Sandy was that you could stand on his desk and take all your clothes off and he wouldn't take his eyes off the tape," recalls Mary McDermott, who started working for Weill right out of college and went on to work with him for the better part of the next 30 years.

For much of the 1970s, too, Sandy Weill had a young protégé named Peter Cohen, who had originally been an assitant of one of Weill's partners, Marshall Cogan. When Cogan left the firm, Cohen essentially became Weill's shadow. A tough and analytic study, he was a precursor to Dimon, a man who pledged his early career in allegiance to Weill. He was both Weill's numbers man and his hatchet man, and had the tough-guy looks to go with his role.

After several years as Weill's go-to guy, Cohen surprised his boss by announcing in 1978 that he was leaving the firm to run Republic National Bank for the billionaire Edward Safra. Weill soon enticed Cohen back, but the mentorship was over. Cohen was now a player in his own right at Shearson.

As the 1980s started, Weill was still in deal-making mode. In early 1981, he began talking to American Express's chairman and CEO, Jim Robinson, about a possible union. Both men saw the consolidation trends in financial services, and they agreed that the idea of the large brokerage firm partnering with the iconic credit card company made sense.

In March 1981, Prudential Insurance announced its purchase of Bache Halsey Stuart Shields, a brokerage firm. Suddenly Weill was up against a firm with far more financial resources than his own, and he realized that he needed to make a deal. Within a month, Weill and Robinson announced a transaction. American Express bought Shearson for a cool $1 billion. Shearson Loeb Rhoades became Shearson American Express. Sandy Weill remained CEO of the brokerage business and became chairman of the American Express executive committee. Soon afterward, he ran into Ted Dimon Sr. "Now they can't get to me anymore," Weill said, revealing, not for the first or the last time, the deep-seated insecurity that drove him to succeed.

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When Dimon first hooked up with Weill at American Express in 1982, Weill still believed he had made the right decision in selling his company to Robinson. Enjoying the social whirl of New York's corporate elite, he had a car and driver and the prestige he had long craved. "Sandy nearly forgot how to drive while he was at American Express," recalls Weill's longtime PR chief, Mary McDermott. He also got down to business, quickly negotiating the purchase of two regional brokerage firms to bolster Shearson: Foster & Marshall in Seattle and Robinson Humphrey in Atlanta.

Dimon felt he'd made the right decision as well. Most MBAs toil in obscurity for years before they get their shot at the big time. Dimon was immediately exposed to deal making at its highest levels. Weill later concluded that perhaps he gave the young man too much responsibility too soon, inflating an ego that would cause Dimon problems in getting along with others. At the time, however, having such an ambitious and intelligent aide more than outweighed the frustration of putting up with his impatience.

Dimon and Weill's first major project together was not a Sandy Weill special. Instead of snapping up a cheap competitor that was on the ropes, in 1982 he and Dimon found a way to help American Express dump a poor investment without having to swallow the associated losses. At the time, the economy was reeling because the Federal Reserve chairman Paul Volcker had raised the federal funds rate to 20 percent in 1981—this was the tough medicine he thought necessary to cure the stagflation of the 1970s. The result was the worst recession since the Great Depression, with unemployment levels not seen since the 1930s. The rate increase also caused the fixed-income market to crater, leaving American Express with long-term municipal bonds that were now significantly underwater.

Coincidentally, American Express had been planning to lease space in the World Financial Center (WFC), then being built by Olympia & York—the investment vehicle of Canada's Reichman brothers—just above Battery Park. Throwing Dimon headlong into his first deal, complete with late-night negotiations at a suite in the Waldorf-Astoria hotel, Weill came up with something akin to a three-way trade in baseball. Instead of leasing space, he argued, they should buy a new building in the WFC. In exchange for buying a building in what was an extremely tough real estate climate, the Reichmans would then buy American Express's old corporate headquarters. The company could then use the gain from that sale to offset the losses from selling the municipal bonds, thereby avoiding a situation in which it would have to report a significant earnings decline. In the process, Amex traded out of municipal bonds that yielded just 1.375 percent, for treasury securities yielding 11.5 percent. "Jamie was an important part of building a fact base so we could make our points to other people in the company or on the board," recalls Weill. "He was a very quick student."

That success notwithstanding, it wasn't long before Weill began to feel stifled by the formal, bureaucratic American Express. It was nothing like Shearson. He realized that his role as chairman of the executive committee was a hollow one that gave him no authority whatsoever. And in January 1983, when Alva Way, the president of American Express, resigned, Weill made a serious miscalculation. At Robinson's request, he ceded the role of CEO of Shearson to Peter Cohen in exchange for a "promotion" to president of the overall company. What he'd done was relinquish control of an operating business, and he became, as Monica Langley put it, "a president without portfolio." After buying his company, Robinson had taken less than two years to effectively castrate Weill. (Cohen played his part, too. He later told the reporter Jon Friedman that he had pushed Weill "up and out.")

Despite seeing Weill treated this way, Dimon remembers Robinson fondly. He saw Robinson as a smart man who worked hard and was well connected, although also as one who ran an unnecessarily bureaucratic shop. "They protected that Amex brand like you wouldn't believe," Dimon recalls. "The customer service was fabulous."

Shorn of operating responsibilities, Weill decided that he needed another deal to keep himself relevant. His first target: Investors Diversified Services (IDS), a Minneapolis-based provider of financial services. With his trusty B-school tool in hand—the Hewlett-Packard HP-12C calculator—Dimon played a central role in the negotiations, shuttling between New York and Minneapolis, where he met with IDS's financial team in a hotel. In a shock to Weill, Peter Cohen effectively blocked the deal when it first came up for a vote. Weill's onetime protégé had stabbed him in the back. And although the deal eventually got done, Weill still felt marginalized by Cohen, and in need of yet another deal.

Around this time, Dimon reported to Tufts that he was vice president and assistant to the president of American Express. He described his job as "exhilarating, demanding, and a lot of fun." There was no doubt it was demanding, especially considering that there'd been no training program or guidebook to help him navigate his entrée into the world of high-stakes deal making. Even Sandy Weill would admit that he has never been much of a teacher, and that if Dimon wanted to learn the ins and outs of the business, it was largely up to him to be a self-starter. Luckily for Dimon, he was exactly that.

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Jamie Dimon has always been a man in a hurry, and in matters of the heart, he was no different. He'd proposed to Judy Kent while they were still at Harvard. When it came time to actually get married, however, there was one issue that the couple needed to navigate. Kent was Jewish. Her parents, after briefly entertaining the notion that Dimon might convert to Judaism, realized the folly of the idea when Kent explained to them that while Dimon respected other peoples' faith, he did not want to be confined by organized religion and "that there was no point in raising the conversion issue whatsoever."

Dimon, referring to himself as "the great compromiser," agreed to meet the rabbi who was to marry them. "I wasn't even speaking to him at that point, as I was so mad," Judy Dimon recalls. "Things were getting pretty tense." The two men had a brief conversation in which the rabbi tried to convince Dimon that he need not *change* to become Jewish. But Dimon wouldn't budge. "I am what I am," he said, and the issue was closed. When he and Judy next spoke, Dimon informed her in no uncertain terms that although he would allow the rabbi to marry them, he would give the man just ten minutes. She could write her vows, and he would write his own. The ceremony, on May 21, 1983, in Washington, D.C., went off without a hitch.

Judy was working at Shearson at this point, as an assistant to Joseph Plumeri, the colorful Italian-American director of marketing and sales at the firm. Plumeri remembers Kent as whip-smart but always a little frazzled. She always had runs in her stockings, so he once gave her 25 pairs for Christmas.

Judy Dimon worked at Shearson for three years as a vice president in marketing before quitting her job two months after the arrival of Julia, the couple's first child, on May 25, 1985. Almost immediately, though, she dove into a second career in the nonprofit sector, taking a job as executive director of the Spunk Fund, a foundation focused on improving the lives of impoverished young people. She later became involved in the Children's Aid Society in New York, helping support inner-city schools. Her sacrifice was rewarded by Dimon's own commitment to family, however constraining his career demands might be.

The conventional wisdom about Dimon is that he has few interests outside the office, a simplification that irritates him. "I love music and I read a lot and I exercise and play tennis and I ski," he says. "So I don't play golf. So what? I think it would be fair to say that when the kids were born, they became my outside hobby. I cut way back on the other stuff and devoted as much time as I could for the family. I still do. Until they were about 15 we never took a vacation without them. The kids and their friends would say I was around a lot, even though I thought I wasn't. But they probably felt that way because when I was there, I would *be* there."

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In late 1983, Weill had a new mission. The American Express subsidiary Fireman's Fund, a property and casualty insurer, had run into operational and accounting problems and was dragging its parent down with it. Playing fast and loose in a highly competitive insurance environment,