# Oral History of Jack Wadsworth, part 1 of 3

Interviewed by:
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**Hancock:** Today is Monday, March 18th, 2019, and I'm Marguerite Gong Hancock of the Computer History Museum. And we're thrilled to welcome Jack Wadsworth, here for your Oral History interview. Welcome, Jack.

**Wadsworth:** Thank you!

**Hancock:** So let's get started at the beginning. We're here to document your story of your life, and the remarkable impact that you've had. So take us back to the beginning. Where were you born, when/where, and tell us what life was like in Fort—?

**Wadsworth:** Fort Thomas, Kentucky.

**Hancock:** Fort Thomas, Kentucky!

**Wadsworth:** Yeah. Well, Fort Thomas, Kentucky is a rather typical Midwestern small town. I'm very proud of the fact that it is Kentucky, and not Ohio. I've always liked places that have a certain resonance and a feel of being a bit unique. And so place has always been important to me. In Fort Thomas, Kentucky, I grew up with a family that had been there for four generations. My great, great grandfather was a watch case designer. He came from England. And he settled in Fort Thomas, because Cincinnati, and the Southern part of Ohio, was the watch industry of America in the early part of the 19th century. Not many people appreciate that. Hamilton, Ohio is the home of Hamilton Watch Bulova, and Elgin, and it sort of goes on and on.

But, at a high level, our family was always entrepreneurial: small, private businesses. You could imagine a range of different businesses that existed there. I went to Highlands High School. I grew up with a big family, and like so many people of my generation, the idea of going someplace else to school was at the top of my mind. And Cincinnati, Ohio, is a few miles away across the Ohio River and has a big Williams [College] contingent. Such a pleasant thing.

The Director of Admissions, I can still see his face, Fred Copeland, came to Highlands High School to interview. I was captain of the football team and a pretty good student. I wanted to go East to school. And we talked for half-an-hour and Fred said, "So what do you think, Jack? Would you like to come to Williams?" And I said, "Yeah, I think so!" And he said, "You're in!" <laughter> Can you imagine how refreshing those days were? I mean, give me a break! There was no Admissions Committee. He was it.

Just a parenthetical, as a consequence, probably three generations of Williams graduates were basically picked by Fred Copeland, and what an amazing record! I mean, you ask how people get picked to do something. This guy just had an amazing ability to judge character and potential and blah-blah-blah. Anyway. So that was the story on Williams. And my first wife, current wife, only wife, Susy Wadsworth, grew up down the street in Fort Thomas, Kentucky, and we met when we were 12. I crashed a slumber party. She looked pretty good, and that was that. <laughter>

  

**Hancock:** So for the record, we would love to just get officially, your full name, date of birth, and then you mentioned these generations that really had an impact on you. Can you say a little bit more about your father and your mother?

**Wadsworth:** Yeah, sure. I was born on September 12th, 1939 in Fort Thomas, Kentucky. John S. Wadsworth, Jr. is my actual official name. And I became "Jack" fairly soon, because my father and I wanted to have sort of different handles. I also have a name that I very carefully kept off of Wall Street, which is now pretty universal as my nickname, which is "Speed."

**Hancock:** What's the story on how you received that one?

**Wadsworth:** I had an uncle who noticed that I was slow making progress as a young kid. You know, I didn't walk as quickly as others, I was diligent and thoughtful and blah, blah, blah. Anyway, it was a sarcastic handle, because in his opinion, I was slow. I think I've outlived that.

**Hancock:** I think you've proved him wrong.

**Wadsworth:** Yeah, right! <laughter> Anyway, my father was the President of the Wadsworth Watch Case Company. He orchestrated the sale of that Elgin Watch just before Timex would have put them, more or less, out of business. He then went to another family company called Littleford Brothers, which made road maintenance equipment. And he did that until he retired. He very creatively morphed what was road maintenance equipment into a high-speed mixing product that he licensed from a German company. And that's a whole long story, but I think the real point of my relationship with my father is it was a very close relationship. But when it came to the question of, "Dad, what should I do with my life?" he said, "Don't come into the family business. I did, and I've always been frustrated." And I suppose that's not an unusual outcome for a third generation. The expectations are high, the challenge is, in some ways, low, and by definition, you start off working on the factory floor. And you work your way up. He never particularly liked that, and he didn't think he used his degree from the University of Wisconsin as well as he might have. As I reflect on the many bits of great advice he gave me, that was a very poignant one.

So I was kind of cut loose and I went to Williams with a blank sheet of paper. I suppose that the next most important influence on my life was my Grandfather and Grandmother Wadsworth. My mother's family lived in Racine, Wisconsin, so I never really knew them well. But my grandfather had been a watch case designer. And his vision for me was engineering. He did the first coop program at the University of Cincinnati and was determined. This is sort of a marvelous thing in 1953/1954, for a guy of his wisdom and stature to be absolutely, totally convinced that the future was engineering. And my grandmother was just this really wise person. I remember she said a couple of things to me when I left for New York. One that still resonates was she used to call me "Spence," which is my middle name, so I when I think of her, I think of that. She said, "Spence, in Fort Thomas, Kentucky, we've always assumed that people are honest until they do something to raise a question about that. When you get to New York, I think you should reverse that." <laughter> And boy, was that good advice!

**Hancock:** How do you suppose she knew that?

**Wadsworth:** Yeah, just a wise woman. <laughter> I think it's almost a three-hour conversation. Our family has always been a central feature in our lives. Extended family, three families lived and worked together in Fort Thomas, Kentucky: the Stegman's, the Littleford's and the Wadsworth's. And we still get together every summer at a resort up in Northern Ontario that we now own, which is another long story.

About ten years ago we did a video of all the family being interviewed, and the question was "Family matters." You can say "Family matters" three ways. "Family matters." "Family matters?" "Family matters?!" <laughs> And it sort of is the glue that has been really very important to me, and I end up being the leader of the family now, in the sense of buying this resort and keeping people on the same track.

And I feel that the importance of this video was the question that was posed. I think it's a universal American, maybe global, thing. When you grow up on the same block as all your cousins, you have a certain view of life. And you have friends and you have sort of deep relationships. My generation left Fort Thomas. Our kids, therefore, don't know Fort Thomas, and their kids, our grandchildren, have no clue! And so the question in this video is, "Could Port Cunnington Lodge replace Fort Thomas, Kentucky as a place?" And that's, I say, a long story. The end of that sort of monologue is I think the normal family, when you get split up, gets together for weddings and funerals and that's a weekend, and everybody drinks too much, and not much communication takes place. But if you're together for a week, that's good. You get to know each other.

**Hancock:** And every week—every year.

**Wadsworth:** Every year. Last year we had a hundred.

**Hancock:** This is just the Wadsworths?

**Wadsworth:** No. Wadsworth, Stegman, Littleford. I say these three.

**Hancock:** Three, the three families together.

**Wadsworth:** And, you know, there's like everything in Kentucky, there's intermarriage. And I don't think we got any cousins that got married, close. <laughter> Very Chinese, actually.

**Hancock:** I was going to say, my family has a four-generation get-together every year. Twice a year, actually. So thinking about the importance of your family, you had this Midwestern background, with an emphasis on manufacturing and making things. And yet, you decided to go to the East Coast, go to New York, of all places, and do investment banking. How did those different views of enterprise and—

**Wadsworth:** Yeah, okay, again a long story, but I'll try to make it short. I went to Williams under the influence of my grandfather. And I enrolled in what was then a three/two program with MIT. So three years at Williams, two at MIT, and an Engineering degree when you finished. I lasted one semester. It just didn't feel right. It was a bunch of really deep science that I liked, but it wasn't that interesting to me.

  

So I switched direction, and two things became passions at Williams. One was Economics. And the other was Art. If then had been now, I probably would have had a dual major. And the thing that really fascinated me was design. When it got to the end of the four years, and 1961 was the year I graduated, it was one of those sort of down-down years where there were almost no jobs. Half the class at Williams, you know, probably pretty much today, is off to graduate school to do something in the academic world or law or something.

So my best job going through the placement office was to be the understudy to the Foreman in the Chevrolet Plant in Buffalo. And I just didn't think that sounded very good. So I decided to go to business school. Then, not unlike now, it was unusual to go straight to business school from undergraduate, but I did. My mentor thought leader had become the head of the Economics Department at Williams. In fact it was Bill Gates, of all things. And he had a PhD from the University of Chicago. I went in to see him and I said, "Professor Gates, you know, business school. I sort of looked at the list and talked to a few people, and it seems like Harvard, Stanford, Wharton, Chicago, maybe there are a few others, but that's the list. And I'd like to have you write a recommendation for me." He said, "I will not write a recommendation to Harvard." And I said, "Professor Gates, what's wrong with Harvard?" He said, "Well, if you really want to learn about how business works, you need to learn theory. You can't learn it through cases. You have to study accounting and finance and markets. And Chicago has the leading academics in that field, and every one of them does research. They're doing the research that will be creating the financial markets of the future." And he had a marvelous stutter that he actually—you know, it wasn't severe, but he used it in class. He would hesitate on a word that he wanted everybody to remember forever. And he then said to me, he said, "Jack, if you go to Harvard, you'll learn b-b-b-b-bullshit!" <laughter> And you can see, I never forgot!

**Hancock:** It worked! <laughter>

**Wadsworth:** It worked. So anyway, I went to Chicago. And that was, you know, the place where finance was being taught. And the hot jobs then were in the treasurer's office at Exxon, Dupont, General Motors, blah-blah-blah. So I got a summer internship at General Motors, and I discovered exactly after three months what I did not want to do for the rest of my life. Those experiences are probably more valuable than the ones where you have an *aha!* moment and see something you really do want to do. So I went back with a blank piece of paper and started researching finance. And that led me to Wall Street, and that led me to First Boston. So that was how I got there.

**Hancock:** So before we get to Wall Street, you had other people at Chicago—do you want to talk about any people who were mentors there or influential?

**Wadsworth:** Of all things, I did some studying with Gene Fama, who was working on his PhD at the same time I was working on my MBA. He was actually doing the research that led to the conclusion that picking stocks actively produces a rate of return exactly equal to the index minus expenses. That was his Nobel Prize last year. The professors that were really influencing to me were Merton Miller, who was a great thinker about financial theory; George Stigler, who was the sort of market's guru; and an absolutely amazing accounting professor, who—I'll think of his name in a minute—he had a way of teaching accounting that made it captivating and fun and interesting and memorable. Sydney Davidson was his name. He actually became the Dean for a while. And another little footnote while I was there, George Shultz was the Dean and I knew him. He didn't know me. <laughs> And we connected much later, obviously. So yeah, Chicago was—I did okay at Williams, but I got good grades at Chicago, because I liked what I was studying.

**Hancock:** So you've narrowed in on finance. You decided in, was it '63 to go to First Boston?

**Wadsworth:** Right.

**Hancock:** Do you remember first assignments? You know, very early days? What were you actually working on and did it feel like you were in the right place?

**Wadsworth:** Well, First Boston was a unique enterprise. It was publicly traded in 1963 and it was the only investment bank securities firm that was publicly traded. And it was simply a matter of history and origin when all the firms that spun out of their commercial banking parents raised money privately. First Boston did a rights offering to their three parents: the First National Bank of Boston, Chase Bank, and Harris Trust. And as a consequence, ten million dollars was their starting capital. They probably had a hundred-thousand shareholders. So it was this weird kind of thing that was publicly traded and it had a series of leaders who were incredibly visionary.

One of the things that I learned—this is in hindsight, after I joined First Boston—was that there was something in the bylaws called Article 4 Compensation. The partnerships would divide up the profits for the year and pay it out. Nobody retained any capital in those days, and that's how they all got so rich. They would pay out the earnings every year. And Article 4 Compensation said that there was a meeting at the end of each year, and that meeting was about what dividends to pay shareholders, and therefore the important question, what was left for the Executive Committee? And the Executive Committee was like the partners of Morgan Stanley, but the problem with that model at First Boston is that the rest of the people got paid like they were at Chase Bank. So there were these two separate worlds where the Executive Committee, which was ten or fifteen people, got very wealthy. There was no equity, no participation down the line. That's kind of the end of the story. That's sort of why I left First Boston and joined Morgan Stanley.

But the good thing about First Boston in those days was the fact that they had a training program. The other firms you just went there and started doing something. You ended up with a deal or whatever it was. You sort of learned by doing. And an awful lot of the young staff had not been to business school. You had college graduates who were working their way up to be partners. And the great thing about the training program, at the time I was sort of miserable, because you'd spend a month on the trading desk, and then a month in the cage, and you know, and—

**Hancock:** Rotating around?

  

**Wadsworth:** Everything, yeah. One little anecdote that I will never forget. I had all this stuff embedded in my head, the theory of finance. And Milton Freedman, of course, was *the* ultimate guru at Chicago in those days, and he had all this stuff about how the money supply and monetary policy and fiscal policy didn't work, blah-blah-blah. And so I was sitting on the treasury bill trading desk for three days, and the treasury bill trader is one of these guys who probably didn't graduate from high school. His name was Charlie Morasco. God! I can still see him! I said, "Charlie, when you're trading treasury bills, how do you think about the rate of growth of the money supply? He said, "Young man, what are you talking about?!" <laughter> "I haven't a clue!" And of course, you know, there's a great lesson. Traders, the better they are, probably the less they know, right? So they're not distracted by a lot of theories.

Anyway, that training program was great, and of course, I ended up in the investment banking department, which is where I wanted to be. And the president of the firm—there were 21 professionals in the entire investment banking department on one floor at 20 Exchange Place in New York City—the president of the firm, a guy who became, I would say, another really important mentor, his name was Paul Miller, handed out assignments. And so the first thing I did was to write a list of every deal I could think of in Wall Street. And after I had done one, if he walked out of the office with another one of those deals, I wouldn't raise my hand. <laughter> And the first one, you know, was a bond issue for the Boston Gas Company.

**Hancock:** What was the scale, do you remember? Just to give a—

**Wadsworth:** Twenty million dollars.

**Hancock:** Okay.

**Wadsworth:** And one of the reasons I remember that is that there was a CEO named Eli Goldstein. It was actually a subsidiary of something called Eastern Gas and Fuel. And they owned a barge line on the river, a coal company, and they owned the Boston Gas Company. And god, I was 23-years-old, and I went up to be the junior guy on the deal. And in the meeting he said, "So, I don't know much about Wall Street, but a prospectus and a bond issue for a 20 million dollar deal just sounds really boring to me. Can you think of some way to make this interesting?" Actually, I can remember it was my idea. — There was no summary pages in a prospectus. You had to read the whole damn thing to get what you wanted. So I said, "Well, why don't we write three pages that will tell the whole story?"

**Hancock:** What a concept!

**Wadsworth:** Yeah, I mean, what a crazy idea. But the SEC wouldn't permit it. So Eli called it the Mother Goose section of the prospectus. And we actually persuaded Sullivan and Cromwell to go down and argue with the SEC to include this summary. And in some ways, it's a little bit indicative of the stuff that's turned me on all my life. He was absolutely right. It was a terribly boring idea. But if you sit down for five minutes and think about something like that, there's a way to make a difference. <laughs>

  

**Hancock:** So you started with your 20 million dollar deal, and you spent a decade-and-a-half, right, there? Tell us about the arc of how your role evolved and what you found most interesting and challenging during that time before you decided to leave.

**Wadsworth:** Yeah, well it kind of goes deal by deal.

**Hancock:** Let's talk about a couple of them that really stand out.

**Wadsworth:** Oh, well, let me do three. Very early on, I was fascinated by entrepreneurship and company creation and blah-blah-blah. Through a series of connections that weren't mine, an entrepreneur walked in and he had an idea to start a company that would use a whole lot of pretty advanced software, attack the question of inventory shrinkage in supermarkets. <laughs> I went into Paul Miller’s office and said, "Look, this is a pretty good idea. You know, we can put in $100K and if it works, it might be a really huge thing.” And there was no venture capital. Imagine 1964. Benno Schmidt invented the word for venture capital, I think, in 1972. And so he said, "Do it!" And I said, "But let's have an understanding," I think I was maybe three or four years into the firm, "When it comes to the end of the year, there won't be any revenues next to my name. And so I'd like to have sort of a handshake at least that I'll get paid."

Sure enough, comes the end of the year. I have the meeting with the guy who was heading the department. He said, "Jack, your bonus is down 50 percent, because you have no revenues next to your name." That was a wake-up call. That was the good thing. And I wasn't about to go back into the president's office and say, "Hey, did you tell anybody about this?" It eventually failed and it was a great lesson, because it was a good idea, but for a whole bunch of reasons, it was unexecutable. So that was a funny kind of off the charts thing.

The next one I would say is 1975. I get fascinated with Japan, and, you know, a long-story footnote is that my father's brother was a partner of Dillon Read, and that was then an investment bank that looked very much like Morgan Stanley. It's obviously long-gone now. And Dillon Read, because of the Dillon family, had a lot of Japanese connections. And Ted Wadsworth was his name, had done some of the early work in Japan after the war. And so I was curious. I was fascinated. There were really, oddly enough, three investment banks that shared Japan as a client. Kuhn, Loeb & Co., Dillon Read, and First Boston.

Morgan Stanley's a whole other story; there's a reason why they were not on the list that had something to do with one of the partner's sons dying in the war. Something. Anyway, the assignment in 1975 was to reintroduce the Japanese credit into the world markets, and to get Japan rated as a sovereign credit. There was one country rated then. It was Australia. No other country had ratings. So at the age of, I guess, about 30, I was sent to Japan as the head of the team to do $150 million bond issue for Japan. Actually, Japan Development Bank guaranteed by the government, and to get the country rated. So I went to Japan for a month. And my first meeting with the Vice Minister of Finance, Tario Yoshida —oh, I can still see his face—about that tall. He said, "Mr. Wadsworth, we are going to shut down all of the financing of the Japanese government until you get us a bond rating." And he said, "There's only one acceptable rating, and that has three A's in it." <laughter>

  

**Hancock:** Surprise, surprise. <laughter> No pressure.

**Wadsworth:** Oh! So we got a AAA, and I still have the book that we produced celebrating that fact. And you know, I—telex's in those days from the Vice Ministry of Finance thanking First Boston for—

**Hancock:** Huge.

**Wadsworth:** Hm?

**Hancock:** Huge.

**Wadsworth:** Yeah, yeah. I mean, it was one of those amazing experiences. The next deal I would mention is the IPO for Amdahl Computer. Because of that Japan connection, Paul Miller said, "Jack, would you be the Head of Japan?" And the Head of Japan for First Boston in 1976 was one person, a chauffeur, and I think maybe a dog in a small office, and a secretary. <laughs> So I said, "Sure, I'll do that." So then I went to the, you know, "What did it mean?" It meant that I went to Japan twice a year to call on clients. Because Japan in those days, when it had a positive balance of payments, you could do private placements in Japan with Japanese institutions. When the balance of payments was negative, they would raise money in the Euro market. And the Euro Bond Market was a big thing then. I mean, it had been just invented. It was a one-way business, so you had to have a very flexible view of how to staff it. And you also had three or four deals a year, which maybe a big one was $50 million.

So I would call on Fujitsu, the main shareholder and backer of Amdahl, and a venture capitalist who was legendary in those days, named Ned Heizer in Chicago. Heizer owned, I don't know, thirty percent of Amdahl. Fujitsu owned about forty percent, and the rest was owned by Gene Amdahl and the management. They decided to go public! I went to see them in Sunnyvale. Gene White was the CEO. Gene Amdahl was sort of the scientific genius. They had a prospectus that had Merrill Lynch on the front. It was already ready to be filed. He said, "We don't like these Merrill Lynch guys. And we want First Boston to do the deal." They had not sold a computer yet. I mean, it was the first IBM compatible 360, and it was a really complicated subject.

They had a couple of, you know, orders from AT&T, but they hadn't delivered them. And so I said to Gene White, "You know, in some ways I sort of wish I hadn't come to see you, because this is really a hard question. And First Boston is a very conservative firm, and we don't have a lot of history of understanding technology or doing IPOs. So let me just say that if we were to say 'Yes' to do this deal, it'd probably take six months." And he said, "Okay, you got six months." I thought, "Oh, my lord!" <laughter> "Now what do I do?!" <laughter>

**Hancock:** So out went Merrill Lynch and—

**Wadsworth:** Yeah. Yeah. I went right back to New York and said, "We need lawyers, technology advisors, somebody to look at the computer." You know, I went right in to see the Chairman of the firm, who was then a guy named George Shin [ph?]. Oh, he's passed away, so I can say he is one of the main reasons I left First Boston. He was a real idiot. He had come from Merrill Lynch, and he'd run branch offices at Merrill Lynch. He didn't know much about investment banking. And so we had this big meeting in the boardroom, where each member of the team reported. And another thing I would have to say, I had to pick somebody to work with me on this assignment and there were a bunch of different choices. The person I thought who was smart enough to get it, but who was risk-oriented enough to actually go through the process, was a guy named George Needham. And today there still is a famous little boutique investment bank named Needham & Company, and that's George Needham. And it was the Amdahl deal that made him. Anyway, two hours of presentations, and I'm sitting at the head of the table with George Shin, and the question was posed, "Okay, so what do we do?" George Shin turned to me and said, "Jack, do we have to decide today?" <laughter> I mean, how do you get through a moment like that? I said, "Yes!"

**Hancock:** After all this!

**Wadsworth:** "Let's have a show of hands!" So we did it.

**Hancock:** You did it?

**Wadsworth:** And he left the room. <laughs>

**Hancock:** Was it hard to push through?

**Wadsworth:** Oh! Well, then, doing the deal was really hard, because the prospectus said … when we priced the deal, they had still not sold a computer.

**Hancock:** So what was the price? How did you decide? Do you remember?

**Wadsworth:** I think it was $150 million deal. It was relatively small. Maybe a market cap of $500 million. I mean, in those days, that was a big deal. Obvioiusly, the rest is history. It became hugely successful, and it eventually charted the way for IBM compatible computing. But in fact, yeah, it was hard.

**Hancock:** So on a prospectus, thinking about that, hadn't sold a unit. Not a lot of market demand from people who are trying to figure out what they were going to do with it. Untested. So what was the story that you were telling in the prospectus that made it successful?

**Wadsworth:** Well, the prospectus didn't give you any reason to buy it. I mean, it was in those days the road show and the—

**Hancock:** That's what I mean, yeah.

**Wadsworth:** Yeah, yeah, yeah.

**Hancock:** As you went around, what was the story?

**Wadsworth:** Just a big, big, big idea. A huge idea, you know? And as you might imagine, the buyers were institutions that were sophisticated. The trading market was thin. I can't even remember if it went up or down after we priced it. But it didn't do much for a couple years, and then they started selling equipment. And it was a great success. But no, the pitch was just simply, "Here is the big idea. And IBM compatible equipment has got a huge future! And you know, we don't know exactly who it'll be." And the bet was—I mean, it was never said—maybe by me, but the bet was that, "Fujitsu is going to make this work!" I mean, Ned Heizer was tapped out, and the management was good, but you know, Fujitsu had to make it work.

**Hancock:** So this is a recurring theme where you recognize early on, maybe earlier than anybody else, because the evidence isn't clear yet what the next big thing might be. What gave you the confidence to bet on Amdahl, of all things? Was it instinct? How do you account for you sort of recognizing this big new vision?

**Wadsworth:** I think next big things come in two forms. One is the idea. I guess, to me, it was just an obvious idea. One of the reasons that Gene Amdahl left IBM was because they were suppressing technology. He said it outright, he lived it, he believed it, and then he acted on it. And suppressing technology is a bad thing. And he proved it! If you were inside thinking about it, and then also aware of what Fujitsu was doing in Japan, it wasn't hard to put these two things together. The CEO of Fujitsu, when I first met him, he didn't speak much English, but he knew enough to say, "Mr. Wadsworth, you know I am a former kamikaze pilot?" <laughter>

**Hancock:** That's all you needed to know!

**Wadsworth:** And I had to say, "How does that work?" <laughter> He said, "The war ended." <laughter>

**Hancock:** He outlived it! <laughter>

**Wadsworth:** Yeah, right, right. That's the kind of person that—Japan is not full of many risk-takers, but here was a guy who was just out of the box. I said, "Wow, this guy's going to make it happen. He really has guts!" Then the other part of the equation is people. People count for everything for me in the end. The best ideas in the world are no good without people to execute them. And Gene Amdahl was a dreamer, a flake, and a brilliant scientist. But Gene White was the CEO. He was the visionary. I never forget, I was trying to get the launch of this deal right, and he said to me one day, “Jack, this is like a gigantic jetliner.” I mean, it was a DC-8 or something in those days, and he said, “We’re three-quarters of the way down the runway, and the wheels are off the ground. We have to go.”

<laughter>

**Hancock:** That’s a great story.

**Wadsworth:** I said, “Okay.”

<laughter>

**Wadsworth:** "Let's do it."

**Hancock:** So you did it.

**Wadsworth:** Yeah.

**Hancock:** In hindsight, as you look back, it's been, what, 40 years?

**Wadsworth:** Mm-hm.

**Hancock:** We can point to a lot of things that that was really an important moment, a juncture. Right?

**Wadsworth:** Mm-hm. Yeah.

**Hancock:** So for those who aren't familiar, can you just kind of underscore the significance of that deal and how it ushered in a new era? Can you just summarize your perspective on that, it's impact? Sort of historical influence.

**Wadsworth:** In hindsight, it was brilliant science. Brilliant science is okay, but it needs a purpose, and it needs to be commercialized if you care, and so those two things went together. At that moment in history, it had the curious additional dimension of bringing in Japan, and Japan was so far ahead in those days in many respects. I mean, those were the days of books about Japan taking over the world and—

**Hancock:** Japan Inc., right?

**Wadsworth:** —MIT introducing, you know, manufacturing courses so we could stay up with them, blah, blah, blah. By then, it was a wealthy country. The other thing that fascinated me was that not many people would know Ned Heizer, but I would say he was the prototype of today's venture capitalist, in a way.

**Hancock:** Mm, mm, say more.

**Wadsworth:** Yeah. He was given a mandate at Allstate Insurance to invest in early-stage companies that were private, and he was a very smart guy and a very gutsy guy. He just blew the cover off in that portfolio and became famous. Everybody in the country then was saying, "Wow. This is maybe a new thing. You can actually make money investing in these private, early-stage technology companies," and then he took that track record and created Heizer & Company. So it was, in some ways, the first venture capital firm. I had read all that stuff, and I was fascinated by the idea and his success and that was the reason I got stuck. Fujitsu was interesting, but I think they said to me three times, "Please go call on Amdahl," and I ignored the first two. I thought, you know, "This looks too hard."

  

<laughter>

**Wadsworth:** So all of that stuff came together, and if you think about today or the early days of the great firms: the Venrocks, the Kleiner Perkinses, etc. I think the other thing that sort of intrigues me now, even as I look back on it. There were a dozen venture firms that were at the top of the pyramid, and today, forty years later, it's still almost the same top of the pyramid. There have been some disruptors, but all that fits together and I think it was, certainly for George Needham, a harbinger of things to come.

**Hancock:** Sure.

**Wadsworth:** He took that and went off and created a tech boutique investment banking firm.

**Hancock:** And for you. It wasn't too long after that you made a switch.

**Wadsworth:** Right.

**Hancock:** So talk about that decision. You mentioned a little bit of your reasoning, but why that time, why Morgan Stanley, and why that new role that you had with Morgan Stanley?

**Wadsworth:** Well, let's see. It was the winter of 1978, and there were a handful of us who were the management committee of First Boston. Probably my closest partner in crime was a guy named Al Shoemaker, and Al and I wrote a paper that—well, just a step back. When I was made a managing director of First Boston, I got the title and I got a stock option. The stock option was for 2,000 shares at 20, and I went home that night just elated. I mean, it was one of those, "God. Guy from Fort Thomas, Kentucky. I really made it," you know.

**Hancock:** Yeah.

**Wadsworth:** And Susy said, "Two thousand shares at twenty, that's not much money."

<laughter>

**Wadsworth:** I said, "My God. I hadn't even noticed that."

<laughter>

**Wadsworth:** Ah. She's been so important at just the right moment. I said, "Okay. That's right," and so Al Shoemaker and I wrote this paper in 1977. It basically said, "First Boston is graduating the firms of the future." I mean, you could create a whole firm with the people who'd left in those sort of four, five years, so the paper said, "If you want to ensure the future of this enterprise tomorrow, transfer 20 percent of the equity over to the producers. The time has come. You either do it or you don't do it." We went in to see George Shinn, and he had read the paper, and he said, "This is very interesting. Into the round file."

  

<laughter>

**Wadsworth:** Shoemaker left the next day.

**Hancock:** Yeah, I mean, this—

**Wadsworth:** He left the next day.

**Hancock:** Why would you stay?

**Wadsworth:** Yeah.

**Hancock:** Right?

**Wadsworth:** And I thought, "Geez, you know, I really love this place. I mean, I'm really happy what I'm doing, and yeah. I mean, we're going to have to figure this out but, you know, I'm going to stick around. I'll make it work." Three months later, again, a monstrously long story, but the whole London office of First Boston left and went to Blyth, <laughs> which was where Al Shoemaker went. That's another story, and by sheer coincidence, Merrill Lynch was in the process of buying White Weld. White Weld had this marvelous little machine in London called Credit Suisse White Weld, and when I did the research to back up my recommendation to do the joint venture investment bank in China, I looked at every joint venture that had ever been created in the financial world. There were two that were successful: Credit Suisse White Weld, and Jardine Fleming.

<laughter>

**Wadsworth:** There weren't three; there were two.

**Hancock:** Yeah, there were two.

**Wadsworth:** And there was simple reason. One partner had the clients and the other partner had the money, and so White Weld was a great old sort of white shoe firm then, but the guys at Credit Suisse White Weld in London refused to go to Merrill Lynch. So here's George Shinn, kind of in the catbird seat. Our London office has just left and Merrill Lynch has offered Credit Suisse White Weld. He put me on the deal, and after a week I met Rainer Gut, who was then the CEO of Credit Suiss. The actual, the caricature of a Swiss banker, right?

**Hancock:** <laughs>

**Wadsworth:** He was so belligerent and so mean and so Swiss. You say, "American investment banking," and he said, "What's that?" So I went home that night and I said to Susy, "We have three choices. I've just met the man. We can suffer like hell for 25 years, because that's my horizon in this business. I don't want to do anything else, but it's going to be really, really miserable. We can go back to Kentucky—"

**Hancock:** Really?

**Wadsworth:** "—or I can dial one phone number." She said, "What's the number?"

<laughter>

**Wadsworth:** So I called Morgan Stanley, and that's a long story. There's a guy named Bill Black, who was one of the very senior partners, and his father was the first president of the World Bank. He was a really interesting gentleman, and I called him up and said, "Can I come over and see you Saturday morning?" One of the things that I have always done, I don't do it anymore, but I kept my resume up-to-date every single year.

**Hancock:** Really?

**Wadsworth:** I've always advised anybody who works for me, "If you don't know your market, nobody will. So that's your responsibility, and you can make some good choices and some bad choices but you better know what you're worth. There's no other way to get through life." So anyway, I gave him my resume, and I said, "Bill, you will read some stuff in the paper the next two or three months that will indicate why I'm thinking about leaving First Boston, and there's only one firm in the street that has the same culture, and that's really important to me. It's Morgan Stanley, and so if you guys would be interested, I would entertain an offer." He said, "Jack, we have 48 partners and you'd have to meet every one. We've never taken a partner in laterally from Wall Street, and so I know you. Bunch of people know you." — For some reason, in those days, I would compete with Morgan Stanley more than Goldman Sachs or Salomon, and I almost always won, and so I was an item. <laughs>

**Hancock:** You were known.

**Wadsworth:** I was known.

<laughter>

**Wadsworth:** And so I said, "Bill, I've got one partner and we decide things very quickly, and if that's your answer, give me my resume back and this conversation never took place, and if I hear you ever told anybody that it did, I'll deny it," so he handed it back. The Credit Suisse deal was announced in June, and Paul Miller, my mentor, retired that summer, and on Thursday, September 1st, I got a call from Bill Black and he said, "Could you come over to my house in Brooklyn Heights? I have something to talk to you about."

<laughter>

  

**Wadsworth:** He had an offer, and it was a meager percentage of the enterprise. Turned out to be just fine, because meager percentages of Morgan Stanley in those days became worth a lot of money. I said, "That's a pretty puny percentage, but I'll call you tomorrow morning," and so I accepted. That was Friday, and on Monday, I left and never looked back. It was hard. It was hard because it—

**Hancock:** I was going to say, it was—

**Wadsworth:** Really hard. I had—

**Hancock:** —hard decision.

**Wadsworth:** Huh? Yeah.

**Hancock:** Right? You were leaving behind a lot of things.

**Wadsworth:** Yeah. I mean, there's—Joe Perella was head of M&A at First Boston, and he and I were joined at the hip on just a lot of stuff and there was a long time where he didn't forgive me. I mean, he just said, "Jack." Then I got him to join Morgan Stanley.

<laughter>

**Wadsworth:** That took a while. <laughs>

**Hancock:** So you became a Morgan Stanley man.

**Wadsworth:** Yeah.

**Hancock:** And what did that mean for you culturally to change? And you were very quick to dismiss you didn't want to go to Goldman. — What did that represent to you and, in fact, how did you adjust to that transition to move to Morgan Stanley?

**Wadsworth:** I suppose it was a lot of hunches based on people I knew, and the way I'd seen them compete. Integrity, hard work, viciously competitive in a way. But a nice sort of competitive mode, and in hindsight, a lot of things were confirmed. One of the things that I used a lot in Asia was one of Mr. Morgan's famous quotes, where in testimony before the senate, 1935, everybody remembers "first-class business in a first-class way." Which is fine, but it's a trite sort of Morgan Stanley thing that has the risk of being a little bit arrogant. But the important thing he said was—and the senate was trying to write legislation, which in their mind would have ensured the preservation of reputation. They actually talked about it. One of the problems with the recession depression problem is that <laughs> it's not a new idea that Wall Street didn't care enough about their reputation to behave properly, and so Mr. Morgan said, "Seeing the future with clarity is difficult, so when planning for the future we have all made mistakes. But if I may speak for the firm that I'm proud to be the senior partner of, unlike many of our competitors, our mistakes have been mistakes of judgment, not principle." That resonates.

**Hancock:** Mm, that's powerful.

**Wadsworth:** And I use it to teach. I mean, the flip-side of that is if you're in a risky business, you can't bat a hundred percent on judgment or you'll never make a decision. So don't confuse that with principle where you must bat a hundred percent. Ninety-nine doesn't work. <laughs> We see it every day, <laughs> and that sort of permeates the way the firm thinks. I honestly believe we would never have gotten into the soup that Goldman Sachs is in in Malaysia. I mean, that's so stupid. You don't have people like that in the firm. You fire them before they get in trouble, because you know <laughs> they're going to do something terrible. One bad egg is one bad egg, and that's all it takes. <laughs>

So anyway, I love that part of the firm, and every time we've done something big, like the Dean Witter merger, going public, there's always the business meeting. Then there's an hour devoted to, "Can we maintain the culture if we do this?" And I go back to Morgan Stanley today in New York, and I spend time with James Gorman and, you know, the guys who are running the firm, many of whom I'm very proud to say I hired in Hong Kong. <laughs>

**Hancock:** You brought them in. You've created a succession plan.

**Wadsworth:** Right.

<laughter>

**Wadsworth:** And there's a spirit of collegiality and cooperation and excitement that, to me, is what it's about. First Boston had it in the days when I was… First Boston, in the League Tables in the '60s, was number one in everything, and League Tables even counted in those days. When First Boston started to become number two and number three, that was another problem. The leadership didn't know how to talk about it. It's easy to say, "We're number one in everything," and then all of a sudden, you're number two and number three, and you got to develop a different pitch.

<laughter>

**Hancock:** Ah, Avis, right, "We Try Harder." So can you say a word about that leadership of culture and principle? As companies grow and you have new people that join the firm, it's not automatic to have a continuity of strong culture and values. You were really important in recruiting new people that would go on to be leaders. What's your view on leadership that is not just about personal success but leading a whole and creating a whole institution?

**Wadsworth:** Well, leadership is critically important and it's like entrepreneurship. Everybody sort of knows what it means, but you can't define it, you can't teach it. You just have to be it. I think leadership is painfully simple to me, because it's about one person. It's the head of the firm, and everything emanates from the way that person comports themselves, you know. I mean, if you're the head of Enron, and you're stealing, guess what? Everybody else is going to steal, right? So you have to be impeccably honest. You have to be intellectually honest. You have to do all those things.

  

We had one leader at Morgan Stanley who, even though he was the CEO, couldn't resist the temptation to claim credit for a deal, and that's really not leadership. It's bad. There was that period of time where it sort of permeated down the organization, so it's about giving people credit, making people feel good. It's about all those qualities of behavior that lead to the kind of behavior that you want to emulate throughout the organization. But it starts at the top. One of my <laughs> really good clients and good friends in Singapore once said to me, "I will always ask Goldman Sachs for a proposal when I ask Morgan Stanley for a proposal, because they always think of something that I wouldn't have thought of. But," he said, "I will probably always hire Morgan Stanley, because when your team comes in, it feels to me like they like each other, and the <laughs> Goldman Sachs team doesn't." <laughs> I don't know. But it's at the top. It's just plain at the top.

**Hancock:** All right. So we're just to Morgan Stanley, and you've joined in 1978; is that right?

**Wadsworth:** Mm-hm.

**Hancock:** We've talked about your transition. So talk about you're here, unlike at First Boston, you were coming in at a senior level and helping define a whole area of work. Can you talk about your vision in your new role, where you were headed and some of the early deals?

**Wadsworth:** Yeah. Have to step back a bit on the start at Morgan Stanley. When I was invited to join the firm as a partner, the first one from the street, from the outside

**Hancock:** Pioneering, again, a pioneer. <laughs>

**Wadsworth:** —I had no job description. I was not hired to do a job. I was hired as a partner of Morgan Stanley to do something that was yet to be defined, and I liked that. It was a little uncomfortable. In fact, I had never met the then-CEO senior partner of Morgan Stanley, Bob Baldwin, except in a social setting. So my first day at the firm I went into his office to be interviewed.

<laughter>

**Wadsworth:** And it was one of those absolutely marvelous experiences where he was one of the people who couldn't resist the temptation to take credit for good things, and so he talked to me about his view of the firm. There're a couple things that I remember he said that resonated. One, he said, "Jack, you have to feel like I feel someday, and that is when I get off the elevator every morning to come to my desk, I feel like my feet don't touch the ground." I said, "Okay. I'll work on that."

<laughter>

**Wadsworth:** And then he said... there was a guy named Alec Tomlinson, who—one of the things that Bob did that created the Morgan Stanley of today. He had a vision for a diversified firm that would incorporate distribution, trading, and research, alongside of the traditional investment banking. To do that, he had to break a lot of eggs. The first set of eggs that he had to break was to reorder the lockstep partner percentages that everybody owned in the firm. So one day he announced a big change of ownership with an inner circle approving it, but pretty unilateral. A whole bunch of partners who were not pulling their weight left. That's exactly what he wanted to happen. One of them was a guy named Alec Tomlinson who <laughs> and another reason on my First Boston list of things.

We hired him and he became head of the Investment Banking Department, which was more or less what I was doing, and so Baldwin said, "So what do you think of Alec Tomlinson?" I said, "Well, it was a little disappointing that he didn't take charge of the investment banking department and develop a vision and a strategy that was needed for the moment, and—but he was a great investment banker. He really was good at doing deals," and Baldwin said, "If you'd known him a little bit longer you would've known he wasn't very good at doing deals either."

<laughter>

**Wadsworth:** So anyway, that was my sort of encounter with the leadership, and my next stop was the head of investment banking at Morgan Stanley, a guy named Lewis Bernard. He said, "So, Jack, what do you want to do?" and he didn't tell me what he thought I should do. He asked me, and I had given a fair amount of thought to it. I think what he was prepared for was for me to say, "Well, I'd like to cover Dupont and General Motors and U.S. Steel and, you know, give me some good clients." Instead I said, "You know, Lewis, you must have 4 or 5 transactions that are in deep trouble and 10 clients that nobody wants to call on. Why don't you give me those?"

**Hancock:** What?

<laughter>

**Wadsworth:** It's just one of those things that you think about a little bit, and it was the best thing I possibly could've done. It wasn't, you know, a scheme. It wasn't thought out. It just sort of felt right, and that's the way I've done a lot of things. I would say the other thing on my mind is that I was being—I wouldn't say groomed, but I was in the process of being persuaded by some of the leadership at First Boston, you know, to run for president. I'm not the kind of person that runs for office, first of all. It's always been something that I abhorred, and secondly, my love was doing deals. It was not management, and so another sort of subtext for Morgan Stanley was that I knew my peers at Morgan Stanley were running the firm. I knew them all. Dick Fisher and Bob Greenhill. They were really good at what they were doing and they had Morgan Stanley blood in their veins, so it was not an alternative to just going back into the kitchen doing deals. So for the first five years, that's what I did, basically. I just got to know the firm, worked on transactions. They gave me an office between Parker Gilbert and Don McAllister. Parker eventually became chairman of the firm, and, it was so obvious it was painful: "These guys are going to take care of Jack."

<laughter>

  

**Wadsworth:** "Be sure he doesn't do anything really stupid," and then the interesting stuff started. I was eventually on the sort of operating committee of investment banking. On one of those famous days. Greenhill says, "We need a private equity fund. Everybody's doing it. We got to have one. Jack, why don't you do it?" So I did that. Actually, very early in the process, there was a conversation about starting a business development department. Morgan Stanley was this marvelous place that answered phones. We never solicited business, and so the idea was to pick some companies that we wouldn't ordinarily call on and then pick some emerging companies.

The short list of emerging companies included Apple Computer, and the only reason it included Apple Computer is that the computer analyst at Morgan Stanley, whose name was Ben Rosen, had an Apple II on his desk, and he called us up and showed us. He said, "This a big deal. This going to be important. Somebody should go out and call on Apple and see what their plans are." So those two things. Obviously the whole private equity fund-raising activity is almost a book. I put together a business plan, got all the legal documents done, and it basically said, "We'd like to raise $500 million of senior debt, $500 million of mezzanine debt and $250 million of equity. And we've never managed a fund before, so trust us." I get turned down 87 times. <laughs>

**Hancock:** Eighty-seven times?

**Wadsworth:** That's how many meetings I had, and somewhere in the middle of that 87 meetings I had a meeting with Cigna, who was trying to raise a mezzanine fund. The endgame was we partnered with them and we put up 75 million of equity, they put up a mezzanine fund and some senior debt, and we put a guy named Don Brennan in charge of running it. He'd joined us from International Paper. He was the only guy in the firm who had ever had any operating experience. So, not surprisingly, the first fund had a lot of paper companies and forest products companies in it, and it had one chemical company in it that we put, I don't know, 10 million dollars into, and it became a billion-dollar investment. I would say smart, but it was pretty much blind luck. And that was then the basis for fund two, which we did without Cigna. Without Cig—

**Hancock:** What was the time horizon on the first?

**Wadsworth:** Huh?

**Hancock:** What was the time horizon on that first?

**Wadsworth:** Three years.

**Hancock:** Not bad.

**Wadsworth:** No.

**Hancock:** <laughs>

  

**Wadsworth:** The next fund was $500 million of regular private equity stuff, no fancy debt components. We raised a hundred percent of that in Japan, which is another whole story. <laughs> It was one of those years where Japan was bulging with extra money and they all seemed to think that private equity was something they wanted to do. Because of what we'd been doing there we had a lot of relationships, and then the Apple story. I don't know. Maybe you want to sidetrack my direction here.

**Hancock:** Well, before we get to the Apple story, I want to go a a little deeper into the PE fund, because this really was something new and different and exceptionally successful, but it wasn't obvious that that was going to be the case three to five years later. Can you talk about some of the challenges as you were shaping a strategy and trying to get it running. Then fast-forward, to when you were looking at what really paved the way for everything that followed?

**Wadsworth:** Well, I think the first thing is that there were some interesting business models out there to look at. KKR was even then the forerunner of private equity as it became, and there was Gibbons Green, and there was Laird, and there were just a few firms, but there was no Goldman Sachs. We were the first out of the box. I would say the key to the success of the early funds was the fact that we developed a business model that embraced the idea that you could leverage low-risk businesses that were growing at 3 percent, with 80 percent debt, and create the return by paying down the debt. Nobody'd ever thought of that. I remember saying that there're two kinds of risks that make money. One is financial risk, and the other is business risk. Venture capital is pure business risk and real private equity is financial risk if you pick the right companies, which Donald Brennan was able to do. We had Burlington Industries and James Paper. It was really rust bucket, basic businesses that were pretty well managed and grew at almost guaranteed three percent rates of return with positive cash flows that enabled you to pay the debt down. I would say those early two or three funds kind of put the capital on the books that made Morgan Stanley what it was. Before we went public in 1986, our equity capital was $300 million, and by the end of that decade it was about $3 billion.

**Hancock:** Yeah. Order of magnitude.

**Wadsworth:** Yeah, and a lot of it came from private equity. I remember going to the public meeting in 1986. We thought we needed a billion dollars to become a global firm, and that was fundamentally the strategy. In fact, the number was probably more like five billion, and I daresay if we'd known that it was five and not one, we probably would've sold the firm, because there were 50 of us in the room and there was nobody over the age of 51, and the reason to go public is that nobody had the money to put up to get there.

<laughter>

**Wadsworth:** So that private equity strategy was really important, and the money raising side of it was where I continued to be active. I was on the investment committee, but I didn't try and argue with Brennan. He was a very smart, directed guy. Parker Gilbert was the chairman during that period of time, and probably the most important thing that Parker did, aside from getting us public, which really was his doing, was to say, "No," to Donald Brennan about four times on deals that would not make sense.

One of the things that was absolutely critical as a part of the strategy is that the way you did a deal was to do equity, and then bridge loans, and then fund the bridge loans. As we evolved that strategy, we had one cardinal rule, which was that we would never put a bridge loan to a private equity deal that we did on our own balance sheet, unless we owned 51 percent of the equity. Forty-nine percent, no deal, and, you know, the burning mattress that sunk First Boston? They didn't control the equity. They got hung.

**Hancock:** Yeah, discipline.

**Wadsworth:** It busted the firm.

**Hancock:** How was that decision made?

**Wadsworth:** Hm? What—

**Hancock:** How was that decision made, the 51 percent?

**Wadsworth:** Oh, we had a small group of people in the room that said, "If we don't control the company, we don't control the bridge loan funding." Period. It's that simple. <laughs> There's a level of risk that's worth taking and a level of risk that's not worth taking, so I continued to be involved in the sort of fund-raising, and that was one of the reasons why the next fund that we did in Japan was fine. It was a mistake in the following sense, because by fund three, Japan was out of money. As Japan always sort of goes in cycle. We had to create a whole new list of limited partners, so we had to get into the pension fund, you know, college endowment world, which didn't know us, so it was like starting over. Meanwhile I continued to do deals, because that was still my main thing, and...

**Hancock:** So that's a perfect segue into some of those. There are so many deals we could talk about, but—

**Wadsworth:** Yeah.

**Hancock:** —where should we start?

**Wadsworth:** Well, the Apple deal was what got, I mean, it's what—

**Hancock:** That's what got it going.

**Wadsworth:** —really started the high-tech banking. I proposed that this was an area of opportunity that we should begin to pursue, and in 1979, 1980, the entire high-tech banking wallet might've been a hundred million dollars a year. I mean, there were really no deals. There were no companies. Fairchild, Intel, they were not big investment banking opportunities, and if you looked at the competition, it was the four horsemen. It was H&Q and Montgomery and Sandy Robertson and Alex Brown. I mean, that was it. And they were tiny firms, and accentuated in the early days was the tech banking cycle and the IPO cycle. Bill Hambrecht is quick to tell the story about the number of down cycles where he had to mortgage his house to keep the firm afloat. So it <laughs> wasn't an obvious new business category to throw a lot of resources at, but it looked promising. I think at that time you could see that the computing industry was going to change, and that Moore's Law was going to drive economics in a really big way. The personal computer was going to be a monstrous factor. So at the front end of the high-tech banking strategy was Apple, at the time. It was not obvious at all—

**Hancock:** At all.

**Wadsworth:** —that that was going to be the case. At all. No. No.

**Hancock:** Yeah. So talk about your first interactions with the firm. Who, when, where? When did you first meet these Apple characters?

**Wadsworth:** Yeah. So we went out to Cupertino to call on Apple, and the only person who came into the room was Steve. To this day, I have never met Steve Wozniak. I mean, that's curious.

**Hancock:** Is that right?

**Wadsworth:** Yeah, yeah.

**Hancock:** Well, he comes here often to the museum. <laughs>

**Wadsworth:** I almost feel like I know him, but from the moment that they started talking about being a public company, Steve Wozniak sort of left the room. I would say he retired before they went public. I mean, he was not an officer of the firm. He was shareholder, but he was just not around. So it was Mike Scott who was then the CEO and Steve was the whatever he called himself. But that first meeting, I mean, it's just—everything you've ever written about Jobs is true. I mean, he walked into the meeting with his black T-shirt, Levi's and sandals and put his feet up on the table and said, "So what's your name?" "Jack." "Uh.. yeah, Wadsworth. Uh.. What does Morgan Stanley do?" <laughs> I mean, it's like—it's almost like interviewing at the University of Chicago.

<laughter>

**Wadsworth:** And so I said, politely, and then he said, "So how many IPOs have you done?" I said, "Well, you should know that I've recently joined the firm and I did do Amdahl, so I know something about tech IPOs. But Morgan Stanley did Kodak in 1939, Texas Instruments in 1957, and Marsh McLennan in 1962, and we haven't done one since," and he said, "Well, those are good names."

<laughter>

**Wadsworth:** <coughs> And so being a little bit put off by his behavior, I then said to him, "So when did you think you had a company?"

  

**Hancock:** <laughs>

**Wadsworth:** And he literally said, "Jack, do you remember when they invented the wheel?"

**Hancock:** That was his reply?

**Wadsworth:** That was his answer. He said, "The personal computer will be that important." And he was right. He was right, and one of the things that I actually learned a lot about from the Apple experience is that business models—and it's not just technology, but particularly technology business models—that make human beings more efficient, more productive, have a sustainability that business models that are, say, based on fashion or whim or trends or something, don't have. You see it everywhere. I've always worried about companies that didn't have that sort of value added to society, to actually really become something important.

The next part of the story was we got to business and Steve said to us, "So, you know, we've been working with Hambrecht & Quist and they're a big shareholder, and you can have them as a co-manager or not. Up to you," and those were the days when Morgan Stanley dropped out of business if we had a co-manager. In fact, it was a famous, famous moment. I was into the firm about a year and a partner's meeting was called for the purpose of voting on whether or not we would be a co-manager with Salomon Brothers on a billion-dollar IBM bond issue, and we turned it down. I thought to myself, "Now, wait a minute."

**Hancock:** <laughs>

**Wadsworth:** "I spent 15 years at First Boston trying to get a piece of any one of these deals, <laughs> and we just turned it down."

**Hancock:** Turned it down, a billion-dollar deal.

**Wadsworth:** And, of course, it was not irrational. It was thoughtful, and it was thoughtful to the extent that we actually had done all the numbers. If we accepted that co-manager ship, we would then have all these companies who we had persuaded to keep us as sole manager to deal with. So if we could win one more argument, it made sense. The fact that we lost the argument meant that it was just okay. It's a new world. It's a new deal. So that was still the mindset at Morgan Stanley. I went back to New York and I said, "Look, we can have H&Q or not. It's up to us. But I recommend that we put H&Q on the cover of the prospectus, because we have no brand in tech banking. Nobody knows who Morgan Stanley is, and if we make them the enemy, guess what? It's not just about getting business because of that relationship. It'll be that we're frozen out of a lot of stuff because they will resent the fact that we said no. Apple will tell them <laughs> that it was our choice, right? That won't go unnoticed."

So we had a partners meeting and we voted to accept Hambrecht & Quist with Apple, but we wouldn't accept Salomon with IBM for a billion dollars. <laughs> So that was an important moment. Now I say the other thing that was important to me in that relationship was that at the closing, H&Q took home $25 million and we took home two-and-a-half million. I went back to New York again and said, “There's something wrong with these numbers. I think we got to start a venture capital business, because we're missing. If we're going to be serious about tech banking, we got to get on the front end and benefit from the stuff that we're going to help create.” So that was, again, a sort of seminal moment, and that did lead to our eventually getting into the venture capital business. But the Apple IPO itself is in those photographs in the closing dinner. It was just event after event after event and, you know, I had to buy Steve a suit. He didn't have a suit.

**Hancock:** So—

**Wadsworth:** I had to buy him some shoes so he would look decent, you know, at the road show—

**Hancock:** Talk about the road show if you could, just to tell the story a little more detail.

**Wadsworth:** Oh. It was a road show like every other road show. It was a good story, and Steve and Mike Scott presented, Steve about the big picture and Mike Scott about the numbers and the future. It was out of the box, 10 times over-subscribed. The road show was kind of show-and-tell for the sake of it, because it was a hot deal, and I would say the biggest problem that resulted from that was allocating the shares. People have gone to jail over that, and this, again, was Uncle Jack saying, “Nobody gets any shares in this deal unless they've had an account at Morgan Stanley for at least a year and have over a million-dollar net worth.” In fact, I remember some Harvard Business School student got through to me on the telephone and said he wanted to open an account at Morgan Stanley to get Apple shares, and I said, “Well, you know, it takes a million dollars to open the account,” and before I said anything else, he said, “I'll call you back next year.”

<laughter>

**Hancock:** Only one year.

**Wadsworth:** Right.

<laughter>

**Wadsworth:** There was a moment in the road show that I—well, two, that I remember. One, we were doing the usual Swiss bank thing in Zurich, and I would start the introduction by saying that, “Our objective is to allocate shares to long-term investors,” and some Swiss bank guy in the back of the room shouted out, “Uh.. Mr. Wadsworth, if you want to have long-term investors, just be sure that the first trade is down 20 percent.”

<laughter>

**Wadsworth:** True story, and, of course, you know, he's right.

**Hancock:** Sure.

**Wadsworth:** I mean, one of the problems with the IPO process is that you get a lot of flippers in. You know, it goes up and they sell—this is a whole other story. It was Bill Hambrecht's auction ideas for doing IPOs. The other was just kind of funny event. Steve forgot to pick up his laundry in Cork, Ireland, and he ordered the Morgan Stanley analyst, or no, associate, who was a Baker Scholar, to go back and get his laundry, and after the deal was over, she quit.

<laughter>

**Wadsworth:** And I'm sure that had something to do with it. "If this is the way I'm going to be treated, ah, not a good thing." But no. I mean, it was a lot of fun, and lot of camaraderie. You know, one of the other memorable features of that experience was George Quist. George Quist was the H&Q partner who was on the deal, and one of the reasons H&Q in those days was such a powerhouse is that he and Bill were just polar opposites. George was the captain of the Stanford football team. He was an all-American guy. He was plenty smart, but he was just a good ol' boy, and everybody liked him and, you know, Bill was the tech guy. He was the brains, so...

**Hancock:** So we've made it through the road show, and now it's time, the day. What do you remember about the day of the IPO? Before the celebration.

**Wadsworth:** Well—

**Hancock:** Pricing?

**Wadsworth:** Yeah.

**Hancock:** Early signals?

**Wadsworth:** The pricing conversations was about $22 or 21, so it wasn't that big a deal. The book was huge, so it really enabled the pricing to be anywhere you want it. There was really no argument in the price.

**Hancock:** Did people argue that you left some on the table, it was too low, consider the interest?

**Wadsworth:** Not in those days. I mean, one of the great ironies was every IPO has to be cleared by his state blue sky commissioners, right? So to confirm orders in every state, you have to have the blue sky commissioner's approval, and the blue sky commissioner in Massachusetts denied the transaction for Massachusetts investors, because he thought it was going to be overpriced and that all the investors would lose money in Massachusetts. One of these slides is a Apple computer stock certificate that has written across it "Banned in Boston."

**Hancock:** <laughs>

  

**Wadsworth:** And, of course, what happened is that the first trade was 28 after we priced it at 21. The stock traded between 12 and 30 the next 12 months. It was a typical new company. I mean, the—

**Hancock:** Very volatile.

**Wadsworth:** Yeah. The revenue forecast, they delivered, and the P&L, they delivered. But the stock traded between 30 and 12. The great irony of the Massachusetts story is that the hue and cry in Boston was all over the front page of the newspapers and now we may not protest in the streets, but a lot of sort of guffaw and concern about why they'd been precluded from participating. So the following Thursday, the blue sky commissioner changed his mind and let everybody buy … at 28!

**Hancock:** Oh.

<laughter>

**Wadsworth:** So they actually did lose money.

<laughter>

**Hancock:** Self-fulfilling prophecy.

**Wadsworth:** Yeah, right. Right.

**Hancock:** So place me. Where were you as you're watching the prices, and then that night the celebration? Kind of who are you with and—

**Wadsworth:** Well—

**Hancock:** —where are you and...?

**Wadsworth:** As the case of most deals, this was a big conference call. I was in New York, and we priced it, and then you wait until the next morning to become effective and trading starts. In those days, still these days, NASDAQ. It was not a big deal for me at that point to be there or be anywhere, so we were, again, sort of on the telephone when the first trades started. Everybody was happy. It was like, "We still own the company, so 28 sounds good."

**Hancock:** Sounds really good.

<laughter>

**Wadsworth:** That's always been my argument. I mean, Morgan Stanley went public in 1986 at $35 a share and the first trade was like 45, and we were severely criticized for mispricing our own stock. We still owned 80 percent of the firm. It's like, "Come on. You guys don't get it." <laughs> So...

  

**Hancock:** So celebrating. A lot to celebrate, and thank you so much for bringing those photos. We'll take a close look and with your permission digitize those, but—

**Wadsworth:** Well, it's, I mean, each picture is a story.

**Hancock:** Yeah.

**Wadsworth:** And so it's probably—

**Hancock:** What was the mood? You know, who was—

**Wadsworth:** Oh. The mood was a celebration. Extraordinary. Great humor. One of the incidents was Mike Scott opened the chauffer door in front of the Chicago Club to go in for the pitch, and a taxicab driver came by and knocked the door down the street.

**Hancock:** Oh, really? <laughs>

**Wadsworth:** Another second and we'd been minus a president. So one of the kids went to the junkyard and got a door and brought it to the closing dinner.

<laughter>

**Wadsworth:** An old car door. <laughs> There was a guy named Finley who owned the Oakland A's, who was desperate to get an allocation in the offering, and the reason people were wearing A's baseball hats was because of Charlie Finley. In the middle of the filing period, he filed a lawsuit against Morgan Stanley and Apple for not allocating shares to him, and in the next version of the "Red Herring," we printed the entire lawsuit on Page 3.

<laughter>

**Wadsworth:** And it worked. He was so upset and so ashamed.

<laughter>

**Wadsworth:** He said, "Ah, forget it. I don't want... Stop."

**Hancock:** "Never mind."

**Wadsworth:** "Never mind."

<laughter>

  

**Wadsworth:** But, you know, I mean, that's the kind of thing. It also sends a lot of messages about how you think about stuff like that. You could've conjured up a lot of reasons why Charlie Finley was so important that we should've done something, and so—everybody made a speech, everybody made a toast, and it was actually a bankrupt restaurant where we had the closing dinner. So we opened the restaurant for the party and hired a caterer.

**Hancock:** Just so you could have privacy or...?

**Wadsworth:** Yeah. Yeah, yeah. Well, we needed a big place and some creative kid said, "Here's a choice," and so we did it. We had a piano player, and the guys at H&Q wrote a song. Was played. Sung. Still it didn't look as...

<laughter>

**Hancock:** Any words that stick out on your mind of things that you said or others that kind of captured that moment?

**Wadsworth:**. It can't be terrible substantive. It was just a lot of gratitude and excitement and satisfaction and, "What's next?"

**Hancock:** Speaking of that, Apple is huge, and it opens a floodgate for you. So talk about what followed terms of the deals and your growth and your venture business and...

**Wadsworth:** Well, the story is a lot about the people who followed me. First was Mike Brooks, who took over actually running the high-tech investment banking stuff, and then Carter McClelland, and then Frank Quattrone and then Michael Grimes It's all about the passion that those people had and have.

And it was, I would say, critically important that the reputation that we came away with from doing the Apple IPO resonated around the Valley. It was a moment in history where major Wall Street firms were needed, but nobody had actually bitten the bullet yet or figured out how to do it. So we kind of led the way with Apple and showed the H&Q relationship to be important. One of the things that it did was the deals got bigger, and the managements respected the fact that they had these long relationships with Montgomery and H&Q and Robertson Stephens. To get into the big-time and do a really big deal, you needed a major firm. So those partnerships became critical. It would be misleading anybody to say that we did that all by ourselves. Those firms brought us a lot of business, and we also developed relationships with the venture capital firms, who in those days—well, still, I suppose—have a serious vote on how the investment banker is chosen and what they do.

**Hancock:** Do you want to say that? I think you were, you had a early and very close relationship with Kleiner, right?

**Wadsworth:** Mmm.

  

**Hancock:** Kleiner Perkins, and how did that get started and how did that evolve? That was, again, something new, right? That kind of relationship.

**Wadsworth:** Yeah. Well, here's the story. So my partner said, "Okay, Jack, venture capital. How do you do it?" So I wrote a paper on how you do it. One of the things that the paper said was, "If I'm going to be responsible for starting this business, we are not going to do startups, because Morgan Stanley has built its culture and reputation on the permanence and the long-term viability of our clients. If you're in the startup business, you have to shut companies down when they don't work." My contention was we didn't know how to do that, and the worst thing you can do in the startup business is put more money into a company that's not going to make it. So they said, "You're talking about getting into a world that we don't know, which is A rounds and B rounds and C rounds."

So we wrote another paper that said, "Let's establish a relationship with the best firm in the industry that's good at doing startups. If we're successful at doing that, we can follow on our investments with their successful investments, and if all of that works, it should lead to investment banking business as well." So I put together a slide deck. The slide deck basically described why we thought Morgan Stanley should be in the venture capital business and made a list of 12 firms. Then we went around and presented to each of the 12 firms a case for us partnering with each one of them. The basic tagline, which was the last slide in the presentation, said, "If you're ever thinking of raising a really big fund, we would be interested in being your agent and raising the money, and earning a small stake in your general partnership and going forward together." Actually, the last pitch I made going across the country—Venrock and Mayfield and blah, blah, blah—was Kleiner Perkins. It was right down here in Embarcadero 4, and it was Tom Perkins by himself in the room. I had given the last page in the slide deck a caption that said, "Partnering," but it didn't say anything more, because I wasn't sure what I was going to want to say until I actually got there. And when I got to that page, it was absolutely clear to me, by the body language, that Morgan Stanley and Kleiner Perkins had come out of the same mold. It was only a question of which one of us was more arrogant.

**Hancock:** <laughs>

**Wadsworth:** And so when I got to that page I said to Tom, "If you ever run into a young venture guy who needs help raising a fund, give me a call." The phone rang next Wednesday, and it was Perkins. He said, "Jack, I met the guy, and he's me."

**Hancock:** Yeah.

<laughter>

**Hancock:** Went right through the door that you opened for him.

<laughter>

  

**Wadsworth:** Oh, man, and he said, “We want to do a $500 million fund.” I mean, their last fund had been $70 million.

**Hancock:** Had you floated that number, or did he?

**Wadsworth:** Ah. Totally out of the air, and it was apocryphal. Then he had a reason why it should be 500. It was going to seed firms all over the country and they were going to create this whole ecosystem. <laughs> My God. Here I am, three years into the firm <laughs> and—

**Hancock:** Wow.

**Wadsworth:** —I said on the phone, “No problem, Tom.”

<laughter>

**Hancock:** Wow.

**Wadsworth:** I spent the next two weeks figuring out how to get it down to 150, which we then did, and that is the story. The first fund at Morgan Stanley, which was a $50 million fund, was the best performing venture fund probably done in history. It was like 20X or something, and it was cherry picking the Kleiner deals. Since then, we'd probably done 50 percent of their IPOs. The day we started the road show, the first meeting was with AT&T in New York. The second meeting was Prudential out in New Jersey, and I said to the guy at AT&T at the elevator, “What do you think? Does this kind of fit?” The guy said, “I think 25,” and the elevator doors closed and Perkins said, “Did I hear what he said?” <laughs>

**Hancock:** “Was that twent—”

**Wadsworth:** “What's that—” and John Doerr was carrying the slide box.

<laughter>

**Wadsworth:** And we then got to Prudential and still, this guy, I knew him pretty well, Garnett Keith was his name, and we go into the meeting. We sit down, and he looks at Perkins. He said, “What's Wadsworth doing here?” and God, I had no thought where that might go, and Tom said, “I am probably the best venture capitalist in the country at identifying startups, and I have applied that to the investment banking industry. We need tech banking from the main firms in Wall Street, and this guy is a startup.” <laughs>

**Hancock:** What better answer than that?

**Wadsworth:** Right.

<laughter>

**Wadsworth:** Ah, yeah, I was a little nervous, but, you know, we had the deal done before we even got to Chicago.

**Hancock:** You had too many flights planned.

**Wadsworth:** Yeah. Right. Right.

**Hancock:** Amazing. So there was this, I don't know if it's pent up, but this immediate positive response, and then just mention some of those deals that were in your first fund, those that were homeruns.

**Wadsworth:** Yeah.

**Hancock:** Early on. Do you remember?

**Wadsworth:** I can't remember a single name.

**Hancock:** I was trying to—

**Wadsworth:** I mean—

**Hancock:** That's okay. I was—

**Wadsworth:** Yeah, too long ago. <laughs>

**Hancock:** It's amazing.

**Wadsworth:** Yeah.

**Hancock:** So you have this venture. You're working with Kleiner, and then you have Japan too, right? So, I mean, this is one—

**Wadsworth:** Well, Japan happened in 1986, so that was—

**Hancock:** Yeah.

**Wadsworth:** Yeah.

**Hancock:** So—

**Wadsworth:** Kleiner was '82. That's when we did that.

**Hancock:** Yeah.

  

**Wadsworth:** That deal.

**Hancock:** I'm just saying that you have one major new building block in business after another—

**Wadsworth:** Yeah, yeah, yeah, yeah, yeah, yeah.

**Hancock:** —that you... <laughs>

**Wadsworth:** Well, let me tell you. Brook Byers is still a good friend, but they decided to do another fund in about three years, and they called and said, "We're not going to use Morgan Stanley this time." I flew all the way out to San Francisco to scream at them. I was so mad because we had said, "One of the reasons for us to do this is to get an exclusive relationship. So we won't do a fund for another firm," and fine. They didn't pay any attention to that.

During the period, between when they told us they were going to do the next fund by themselves and when we did their fund, I must've gotten three or four calls from Dick Kramlich. "Will you do a fund for us?" he asked, and I said, "Dick, I'm sorry. We made a promise to Tom." Actually, it is a whole 'nother story. Tom said, "Okay. Let's do something together. Research and development funds are really, really important. We're doing a lot of them at Genentech and every biotech company should take advantage of these tax benefits, so let's do a hundred-million-dollar R&D fund that we'll run. When one of our portfolio companies needs to do an R&D fund, they won't have to hire 20 lawyers and spend six months raising the money. We'll just do it." And so we did it. We raised $36 million for this R&D fund, and it was one of those things that I put at the top of the list of dumb ideas. You know, it was impossible money to raise because most of the people who have money for stuff like that don't pay taxes, so...

**Hancock:** Yeah.

**Wadsworth:** And the boards of directors of a lot of these companies that you want to put the money in think that R&D financing is the bottom of the barrel. It's the last resort, so you know why they didn't want to do it. Anyway, after that experience I sort of coined the phrase that there are three kinds of private equity funds or venture funds: ones that are easy to raise and easy to invest; ones that are hard to raise and easy to invest; and ones that are hard to raise and hard to invest.

<laughter>

**Wadsworth:** Steer clear of the last one.

<laughter>

**Hancock:** Well, you have some great stories to tell about <laughs> some of your partners on the entrepreneur side with Steve. Do you want to say something about your partners that you had on the VC side with Tom Perkins or John Doerr or others? I mean, those were early days for both pioneer—

  

**Wadsworth:** Yeah. Well, immediately we hired a guy to run the venture funds. His name was Bill Murdy. He's still around. Really smart guy. So I pretty much then moved on, and he was the guy who produced the good performance in the first fund and went on from there. Yeah.

**Hancock:** So take us to 1986. Is that—are we going to miss anything if we jump to '86 in Japan?

**Wadsworth:** Well, you know, probably.

**Hancock:** Is there—

**Wadsworth:** But no.

**Hancock:** <laughs>

**Wadsworth:** I mean, that's...

**Hancock:** I mean, in terms of another—

**Wadsworth:** Yeah. Yeah.

**Hancock:** —big significant thing that you started? Talk about the decision to see it on the Tokyo Stock Exchange. This is, again, new territory, right?

**Wadsworth:** Mm-hm.

**Hancock:** How did you make that decision and what went into that? Because that was not a easy or obvious thing for the time.

**Wadsworth:** Yeah, no, I agree; 1986, I'd say two things were going on in the Wadsworth corner. One is I was consciously feeling a little bored. Since I'd gotten back into the deal business, I was perfectly motivated and satisfied about doing a lot of the stuff that I did, but it was sort of like, "Okay. Another deal is another deal. What's going to be new about it?" Being beyond my comfort zone is something that I have always thought about a little bit, and, if you've been there before, do it.

So it was an interesting moment from that point of view. And our youngest child—we have three kids, raised them in Brooklyn—was off to college in 1987, so the empty nester thing was looming. Susy was teaching high school in Brooklyn. She'd gotten a master's degree at NYU along the way and so, one Tuesday afternoon in a management committee meeting, we got word that the firm had been designated as one of the six firms to receive a seat on the Tokyo Stock Exchange.

The meeting was immediately convened about what to do, and the conversation didn't take long to get to "Who's going to do it?" We had, I don't know, five or six people in Tokyo. All Japanese. All kind of historically doing the cyclical thing, and not a clue how to run a business of any consequence. I remember saying that, “This is probably going to be one of the most challenging jobs that has ever come along for the firm. You have to have somebody who knows the back office, the front office, the trading, the systems, the regulation, the whole deal, and also knows Morgan Stanley and sort of kind of gets what it is that we’re trying to do.” I’m just looking around the table. It’s going to be a really tough person to hire.

**Hancock:** <laughs>

**Wadsworth:** So Bob Greenhill, my buddy, said, “Jack, I have a different idea. It’s you,” and I remember saying, “That’s the dumbest idea I’ve ever heard of.” I have no experience doing all this stuff and plus, I’m busy, and I think I’m doing important stuff. Since we had paddled six Artic canoe trips together, he said, “Well, why don’t you go home and talk to Susy, and then come back and let’s talk about it at seven o’clock in the morning?” So I went home and I said, “Guess what?” and again, it was one of those seminal moments. She said, “Let’s do it.” I said, “Are you kidding?” She said, “No, let’s do it. Sounds like a great challenge, and the kids are gone, so...”

**Hancock:** “Let’s do it.”

**Wadsworth:** Literally we put Christopher on his bunk at Williams and went to Kennedy Airport. <laughs>

**Hancock:** Literally?

**Wadsworth:** Literally. Hindsight is great, but it was one of the great things simply because of the challenge and because of the blank piece of paper and all that sort of stuff. And it was great for our relationship. We started collecting Asian art and did all kinds of cool stuff. But I got to Japan and I really didn’t have a plan. I didn’t have a plan. I knew all of the infrastructure stuff that I had to do, so I spent six months before I went learning <laughs> all that part of the business and identify—

**Hancock:** It was like starting over, right?

**Wadsworth:** Huh?

**Hancock:** I mean, it’s so complicated.

**Wadsworth:** Oh.

**Hancock:** It was kind of like starting over.

**Wadsworth:** Yeah. Well, and the other thing, when you’re in the trading business, it didn’t take me very long to conclude that the most important thing a manager can know is whether you’re net long or net short. And the way we have always run the trading business at Morgan Stanley is not to bet the market. I mean, every now and then you do it by mistake, but it’s never consciously “The interest rates are going up or down or the equity market,” blah, blah, blah, “it’s going to do something.” So that was a fairly clear thing that I knew I needed to understand. And in 1987, the marvelous thing is that you could ask the trading floor that question and rely on the answer. When you got to 2008 and people are marking to program instead of market, and you ask the firm whether you're net long or net short? Nobody has a clue. That's why everybody went bust.

**Hancock:** Interesting. Mm-hm. Yeah.

<laughter>

**Hancock:** Made a difference.

**Wadsworth:** They didn't know. So anyway, the question really was the business model. The 15 big banks in Japan owned 80 percent of the banking market, and the Big Four securities firms owned 60 percent of the volume on the stock exchange. So what was I going to do? I spent about two months trying to figure that out and reached the conclusion that the only way for Morgan Stanley to make money in Japan would be to change the entire market from an administered market to a market-market. I had a really brilliant lawyer, Robin Radin, who spoke Japanese better than the Japanese. He actually majored in Japanese History. He had a PhD in it, so when he and I went into the ministry of finance, they knew that he knew more than they did about their own history. We made a list of 51 things that we wanted to change, including introducing a futures contract, two-way trading and treasuries, blah, blah, blah. It was everything you needed to have to create a two-way market that could enable a smart firm to make money trading. We teamed up with Goldman Sachs and Salomon. We'd have a once-a-month meeting, and there was a guy named Tim Geithner who was on the Treasury attaché in the U.S. Embassy in Japan. He became a partner, and every time the ministry of finance said, "No," we'd go over to Tim and say...

**Hancock:** "Here we are."

**Wadsworth:** And within three years we had supply-and-demand-driven financial markets in Japan, and when I got there, Morgan Stanley was a piddly little operation that had expenses and no revenues, and Nomura made a billion dollars that year, 1987. I left in 1991. We made a hundred million dollars and Nomura lost money. They could not figure out what we were doing. They were on the wrong side of every trade. <laughs> I used to ask the trader, "So what happened at Nomura today?" He said, "Well, they only carried two out on stretchers."

<laughter>

**Hancock:** Only two?

**Wadsworth:** Only two. <laughs>

**Hancock:** So this, you know, this sort of regulation—

**Wadsworth:** So—

  

**Hancock:** —opening up the capital markets is huge.  Yeah.

**Wadsworth:** Changed the country.

**Hancock:** Changed the country.

**Wadsworth:** And they still haven't quite figured it out. And I think it's one of the things that had led, frankly, to the kind of recession in Japan, because when MITI told you what to invest in, and the ministry of finance told the banks what to lend to, you just had industrial companies that were doing stuff.

**Hancock:** Sure.  And the national champions, industrial policy and...

**Wadsworth:** Yeah, yeah.  All of a sudden—I remember getting a call once from Mitsubishi Heavy Industries, the finance guy, saying, "For the first time any of us can remember, we have more projects than we have money, and so we're going to have to make some choices, and we've heard of something called discounted cash flow.  Could you come out here and teach us?"

<laughter>

**Hancock:** That's foreign concept.

**Wadsworth:** I mean, yeah, right.

<laughter>

**Wadsworth:** Anyway, it was an amazing period and it leads into a conversation about China, because in Japan, our partners were Wall Street firms, and our enemy was the government.  When I got to China, it was the reverse.

**Hancock:** Had to be, right?

**Wadsworth:** Yeah.  Yeah.

END OF THE INTERVIEW

  