Oral History of Jack Wadsworth, part 3 of 3

Interviewed by:
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Hancock: Jack Wadsworth! We're so happy to welcome you back here to the Computer History Museum. Today's June 12th, 2019, and I'm Marguerite Hancock for the Exponential Center. We're continuing our Oral History interview of your remarkable life. And we are just getting to the story of CICC, this historic new kind of joint venture in finance that set a new precedence for the United States, but as well as China. So I'd like to just continue that conversation by asking you to talk about how you met the key people that were then to be your partners with Wang Qishan and others. Could we start there, please?

Wadsworth: Yeah, sure! And let me start just a tiny bit before that. I spent a lot of time explaining to my colleagues in New York why it made sense to do a joint venture investment bank in China, because we had never done such a thing before. It was not the Morgan Stanley approach to the world. And I had identified the importance to the firm's long-term future of eventually owning a seat on the Shanghai Stock Exchange, and owning a 100 percent of that seat. And when we began to contemplate China, the most any foreign firm could own of an entity in China was 49 percent. And in fact, when we began contemplating CICC, there really was not an investment banking or securities industry in China. The stock exchanges were just getting started. So it was very much a sort of prospective look at the future.

Hancock: It was so early. There were so many skeptics about the economic system, the financial system, the viability of the whole government and regime. So what is it that gave you such confidence to pursue this as a-- not only a possibility, a perspective idea, but actually something that you felt was essential for Morgan Stanley?

Wadsworth: Well, I would say it was getting to know the reformers in China at that time. And the most important reformer of course was Zhu Rongji. And he had really inherited … I wasn't there-- but I think he'd inherited his passion for a market economy from Deng Xiaoping, who really had the courage to say, "Let's do it! Everything we've tried before hasn't worked, and the people's expectations are very high! So let's try a market economy." And it became very clear to the leadership, and I might say I had a small part in persuading them, that a market economy is about resource allocation. If you don't have a capital market, you are left with the government as the only basis for allocating scarce resources. And so, it became clear to me that through this chain of thought there was a commitment to eventually build a capital market. And so, we could play a central role. And I think, as I said before, we spent our five years in China-- or sorry, in Japan fighting the government to open up the capital market, and what we encountered in China was a desire to create one. It was an opportunity that was waiting for somebody to take advantage of. And we proposed, and I think this is, I may have mentioned before, the importance of people. I hired a man named Paul Thiel, who had been the commercial attaché in the U.S. Embassy in Beijing in the late '80s. Paul knew China, and he knew a lot of the players in China. And as a consequence, I really had a secret weapon in Paul Thiel, both in terms of navigating the complexities of decision-making in China, but actually getting to the right people. So when he and I talked about a joint venture investment bank, my first question was, "Who, in China could possibly get us a license and be our sponsor?" And without hesitation he said, "Wang Qishan!" And Paul had known of Qishan in China, and had, I guess, in the early days when he was in the agricultural side of things, gotten to know him. So, we crafted a letter to Wang Qishan proposing a joint venture investment bank. And that was 1992. And obviously, nothing really got going until 1994, and in-between '92 and '94, Qishan was secunded to Shanghai to solve a foreign exchange trading problem. And during that period, a friend of mine in China told me that there was a man at the World Bank, named Ed Lim, who had proposed a similar joint venture investment bank. So I flew to Washington, met Ed and the rest is history. We compared our letters and off we went to see Wang Qishan, and that was really the beginning.

Hancock: So, this was kind of new rules of the game that you were figuring out. The joint ventures were early, and many of them had not been successful. How did you kind of craft how this deal would be done? And how did you actually get it done? For those who know China well, just deciding to do something and actually making it happen, are two different things. <laughs>

Wadsworth: Yeah, I mean, there're all kinds of details that are obviously important in getting to the point where we actually had an agreement. But to your question about a conviction about the viability of the idea, we did a study of joint venture exercises in the financial industry, and I think as I mentioned before, McKenzie did the study for us. There'd been about a thousand since the turn of the century, and two had worked. And the two that worked were Jardine Fleming, and Credit Suisse White Weld. And it was very simple why they worked, because one partner had the money, and the other partner had the clients. And that was exactly the model that we saw in China. Every emerging country usually has a significant component of the economy that's owned by the government, and has a socialistic system. In the case of China, it was a hundred percent. There was not a single commercial activity aside from street vendors that wasn't owned by the government. So, the single biggest opportunity that any commercial investment banking firm would think about was privatization.

Privatization is very complicated. And the history of privatization around the world is very spotty. Very few countries have really taken to its ultimate, which is to basically privatize the entire economy. And we sensed the commitment on the part of the Chinese government to do that. And that being the case, they had no mechanism. They had no investment banks. They had no lawyers, they had no infrastructure that would be capable of restructuring the State-owned enterprise to contemplate capital market activity. And that really was the fundamental idea of CICC, which the government bought. An overarching idea was if you're going to have a capital market you need world-class intermediaries. They don't work unless you have world-class intermediaries. And the early securities firms in China were really terrible. I think when we finally got the license, there were 35 or 40 securities firms, and they'd been formed by people who didn't understand the business. They were full of crooks and scoundrels.

And it was just not an infrastructure that could deal with the complexity of presenting Chinese enterprise to the world. So that was really the basis for the joint venture. Then you get into the details of what's the business model, where do you get the people from? How does it get run? You know, what's the ownership structure? And all of those details took hours and months and so on to iron out. One of my absolutely favorite meetings, we had gotten the signal that we had persuaded the government to give us a license. And that really was the moment that it was going to happen. And oh, my god, this is it!

I had to go to New York, and explain to my colleagues what was the business model. I mean, talk about a Plan B. On the night before the presentation, the Management Committee, we had developed a business model that was based on private equity. I mean, it was going to be a financial institution that did a full range of securities businesses, but the main driver was going to be a fund that we would raise to invest in these State-owned companies as well as other enterprises in China. And the night before the presentation, the Management Committee, Donald Brennan, who was then heading the private equity business for Morgan Stanley, who had been the sponsor of this idea, and a good friend of mine… I hired him from International Paper. So it wasn't that we didn't know each other really well. He changed his mind on the afternoon before the presentation to the Management Committee. So our team stayed up all night. We redid the business plan, and it was based on a ten percent share of the underwriting spread of the privatization of State-owned companies as we began to take them into the market. And we monkeyed with the percentage, was it 12, was it 15? Blah-blah-blah, but we considered a handful of alternatives, but we had the business model redone by eight o'clock in the morning. And went confidently into the Management Committee and said <laughs>, "This is going to work." I had no idea.

Hancock: This is the plan.

Wadsworth: <laughs> Plan B.

Hancock: Plan B. Wow, that's an amazing story. So for the record, how did the structure end up in terms of percentages and the total capitalization that was set, the initial capitalization?

Wadsworth: Well, we proposed 50/50, the Chinese Construction Bank and Morgan Stanley. We knew that wasn't going to fly ultimately, but we weren't quite sure where it would go. To us it was very important not to have a long argument about control, 51/49, and we persuaded the Chinese government that that was a valid principle, but they didn't like the idea of just Morgan Stanley. I don't think they minded just the Construction Bank. So after a lot of back and forth, we ended up with Morgan Stanley at 35 percent, and the Singapore government at 7.5, and Mingly Corporation, the Cha family in Hong Kong with 7.5 percent. And the China Construction Bank brought in a government organization called the China Guarantee Corporation, which took 7.5 percent. And the Construction Bank had the balance.

So, we had a nice balance between the Chinese ownership and Morgan Stanley. And that, of course, also defined the board, which was a critical outcome in terms of governance. So, we had three board seats. And the Chinese government had two. And that was a comfortable balance, until I became aware of the fact that the Chairman of the Board under Chinese law is basically the CEO. <laughs> So the composition of the board was interesting, but it didn't matter that much. And the other thing that I discovered in time was Wang Qishan had the Singapore Government and Ming Li Corporation pretty much on their side. So for important votes, when I thought I would get support from those two entities they would go into the hallway and decide to vote with the Chinese government.

Hancock: As a block.

Wadsworth: Fortunately they were-- I would say there were not major divisive moments. But I was about to say, when we got the signal that we were going to get the license, I went to New York, got approval from the Management Committee of Morgan Stanley, and then flew to Beijing and presented the business model to Wang Qishan. And that was about a four-hour meeting. And all through translation, of course. Very complicated stuff, and to me, the single most important piece of that presentation was the last section on Compensation. And would you believe I presented, I don't know, if you're familiar with the McLagan Survey of Investment Banking Compensation, but yeah, it's a survey that covers the entire industry, international, domestic, blah-blah-blah. And that doesn't disclose the numbers of any particular firm, but it's got the average compensation of associates, vice-presidents, managing directors, blah-blah-blah. And of course, those number were staggering. And then I actually presented the same information on Morgan Stanley. So Qishan had Morgan Stanley's compensation profile. And the point that I, obviously, wanted to make was that the Morgan Stanley employees who were sent to Beijing and who were going to be critical to the transfer of know-how in the building of the enterprise, were going to have to be paid on a global scale. And that was the responsibility of CICC, the joint venture. And at the end of that four-hour conversation, I asked Qishan, "What do you think?" and he said, "Let me get back to you." <laughter> The best and most typical Chinese response.

And I would say the single most important contentious issue between the Chinese government and Morgan Stanley was the subject of compensation. And you know, we ended up for a number of years basically paying directly the bonuses of the Morgan Stanley secundees, because Qishan would not approve the compensation levels that would have been required to keep those people in Beijing. And his logic was simply this, it's-- he said, "We don't pay bonuses in Chinese companies that lose money!" And I would say, "Qishan, you know, this is not like building a cement plant, where you can amortize the cost of the plant. Paying compensation is annual expense. We should capitalize it, because building a service organization means that you have to invest in people, and people are more important than physical facilities, so we're going to lose money, but don't think about that that way." And I never got anywhere. It's like, "Sorry, we just don't pay bonuses, if we don't make money." <laughs>

Hancock: So you just went direct to the employees and kept the quality there.

Wadsworth: Yep, right. Right.

Hancock: You've teed up a topic about the importance of CEOs and the Chairman. Let's continue that.

Wadsworth: Well, in that document there is a very elaborate section on governance and the rights of appointment. And the two most important things I would say that were hammered out in that agreement was that the board had the right to ultimately approve the appointment of the CEO-- I mean, title CEO, but in form only, because the Chairman was actually in possession of the full authority of the CEO. But think of it as the Chief Operating Officer and in that regard, most important operating decisions were the purview of the President of CICC. And yet, Morgan Stanley had the right in that document to dismiss the President, which was a curious trade-off.

The other important element in that agreement was that we had the right to appoint the Head of Investment Banking. And that in the early days, of course, was the most important position in my view, and my colleagues' view, because in the culture, in the fabric, in the quality of an investment banking organization, the single most important decision is, "What kind of business will you do and won't do?" And

I just did not want to get into a position where inexperienced Chinese so-called investment bankers were making decisions about what kind of companies we would do business with.

So the first President was Ed Lim, who had agreed to take a leave of absence from the World Bank, and he was instrumental in negotiating all the contracts, because that was his strength. He had been across the table from Zhu Rongji when China negotiated the protocol with the World Bank. So not only did he know Zhu Rongji, but he knew the way of doing business in China. So he and I worked hand-in-glove to basically put the elements of an enterprise in place. So when we turned the lights on, we knew who was in charge of what. And what happened quite quickly is that Ed Lim was critical in the creation of CICC, but he had no experience running something as complicated as CICC. And so he was the first casualty. I had sent a signal to Wang Qishan that I thought we were going to have to dismiss Ed, and appoint a new President/CEO. And he waited until he knew I was on a plane to New York to agree to a meeting, thinking that I would not make the meeting. But he didn't know that I got on a plane as soon as I landed in the United States, and went back to Beijing and met him for dinner that night, and told him that we were going to fire Ed Lim, which was one of those dinner meetings I will never forget.

So it happened, and then we, together agreed on the appointment of Harrison Young as the successor. That's another long story. But one of the things that John Mack shook hands with me on, that famous day when we got the business plan approved in New York, I said, "John, the President of this enterprise is going to be absolutely critical to its success." And I want you to promise me that you will deliver one of the best and brightest for Morgan Stanley to actually do this job." And if John were here today, he would agree that he never delivered on that promise. I was always the guy who went out and cajoled and persuaded somebody.

Harrison had been a great investment banker, financial services guy at Morgan Stanley. Did all the restructuring of the savings and loan industry during the crisis in the '70s and '80s, and what was actually available. And so we persuaded Harrison to take the job. And he had been despite what most people thought of Harrison, he had been a Green Beret in the Vietnam War, and there was a sort of undertone of toughness that <laughs> he had that was not totally obvious. Harrison was kind of a blunt instrument, and it took about two or three years for him to rub the Chinese partners the wrong way. And so, then we had the third discussion about what to do next. And--

Hancock: Is that Fang?

Wadsworth: Hm?

Hancock: What that Fang Fenglei? Who was next after Harrison?

Wadsworth: Next after Harrison was a man named Austin Koenen.

Hancock: Oh, Austin Koenen.

Wadsworth: And Koenen was a huge success! And he was the most important bridge, I would say, to a culture that really began to take hold. And one of the reasons Austin was so critical to that phase, he actually passed away while he was in the job--

Hancock: Suddenly, right? Was it a heart attack?

Wadsworth: Heart attack in bed, yeah. Really sad.

Hancock: Fifty-six, or something really young.

Wadsworth: Yeah, yeah.

Hancock: Yeah. Shocking.

Wadsworth: Yeah, but he had been head of the Public Finance Group at Morgan Stanley, had retired. And you know, had a kind of experience dealing with governments as issuers that had a real parallel with the privatization stuff we were doing with the government. And so he had kind of a unique understanding of how complicated it is to deal with governments. But more importantly, he had been a nuclear submarine captain. And when somebody walks into the room in China, and they have been a nuclear submarine captain, they are respected. <laughter> And people there loved Austin! I mean, he could speak their own language. He was tough. And when he drew the line they would accept it.

And so, his passing was a really tragic moment for me and for everybody. And the sponsor of Austin was a person that he had worked for in New York in the Municipal Bond Department named Elaine LaRoche. And sure enough, Elaine, who is today one of my closest friends, had the courage, and I think maybe, in a way, the sense of responsibility and curiosity to step into the shoes of Austin.

Hancock: Such a difficult time.

Wadsworth: Yeah, yeah, yeah. So, for that time in history, it was critical that Elain was there. Elaine is, you know, a kind of Austin Conan tough person. She was-- during one of the downturns in the financial markets, when I was running Hong Kong, Elaine was working for John Mack in the President's offices. For a period of a year, she was in charge of Expense Management. And when the phone rang in Hong Kong in the morning and it was Elaine LaRoche on the phone, and I answered the phone, I would say, "Okay, who do we have to fire today?" <laughter>

Hancock: And it was stuff like, "Jack! Do you know that we have two nurses on the payroll in Hong Kong? You only need one!" <laughter> But that's the way she was at CICC, and she eventually crossed swords with Fang Fenglei, which is a whole other story, and eventually he left. But then succeeding Elaine was Levin Zhu, Zhu Rongji's son. And Zhu Rong-- Levin Zhu was a terrible manager. There's nobody who would dispute that. But he was connected, and he was a powerful influence in terms of getting business. And I would say the privatization of China really flowed through the hands of Levin Zhu and Fang Fenglei. It was an amazing time in history, and when you think about that period in the history of China, CICC did one hundred percent of the privatization, there was not another entity that ever did any privatization work. It was CICC.

Hancock: For those who are not as familiar about what that means, can you talk about some of the work that was-- and the scale of what that meant for the economy, and the deals that were--

Wadsworth: That's such a big subject, and a complicated subject, and it weaves in the importance of Hong Kong. The privatizations and the-- you know, it was China Mobile, China Eastern, China Unicom, Sinopec, I mean, these were hundreds of millions of dollars of privatization equity sold into the international markets. Eventually billions per year. If you look at the-- take the big picture, the history of developing economies in the world, I don't know, since the turn of the century…successful emerging market economic development stories always have to do with the inward flow of capital one way or another. And China had the magic ability to attract overseas Chinese investment along with General Motors and DuPont and all the big industrial corporations of the world who were putting money into China. And at the peak it was between 30 and 50 billion dollars a year in those early days of foreign direct investment into China. But no capital market flows at all, zero! Zero. And of course, once the privatization wave started, those numbers went to a hundred billion as a combination of foreign direct investment plus the sale of securities into the world markets. There's never been a developing emerging economy on the scale of China that had a fully developed trusted efficient capital market inside its borders. I mean, that's never happened before.

Hancock: Yeah, it's without precedent.

Wadsworth: Yeah, totally without precedent. So all of these deals went essentially through Hong Kong, you know, as an intermediary market. There were listings on NASDAQ, and the New York Stock Exchange and so on, but the real anchor was Hong Kong. So there was this secret formula that really, I think, would explain the huge success of Chinese economic development during that period of time. You know, this crazy little investment bank in Beijing, CICC, the Hong Kong market, and global investors, who brought billions of dollars into China at much lower capital cost than foreign direct investment.

Hancock: Well, that's a great way to kind of wrap up the impact of that. But it continues today. So let's talk about what happened at, is it June of '95 when the deal was done. You've talked about the succession of CEOs, but what about the kind of ongoing impact for the markets, and also news of the deals that are going on today?

Wadsworth: Well, if you just go through that period of development, obviously there really are two Chinese equity markets. There's the onshore market, the A-share market. Shanghai and Shenzhen, trillion-dollar plus markets. And then the overseas market that arises because the Renminbi is not convertible on capital accounts, so you have many of these prominent Chinese companies, you know, including many of the private sector companies, like Alibaba and Baidu, whose shares can't be owned by Chinese citizens. And eventually most of the SOEs developed dual listings locally and overseas. So a very high percentage of the index in China is now SOEs traded both inside China and outside China. But there was obviously a development of the capital markets that was accompanied by the development of other intermediaries. So you had Sidic [ph?] and a number of firms that developed investment banking capabilities domestically.

But CICC evolved eventually into a global investment bank. And that's where it is today. I mean, it has offices in London and New York, and it would like to have a lot more capability to do business in the United States, but it's just sort of opening up, and they're beginning to run deals here. So it's just as we had hoped. I mean, it's a model for the Chinese investment banking industry, and one of the first hires, you know, who headed the investment banking department when it eventually became a Chinese run activity? Bi Mingjian is now the CEO of CICC, and had a meeting with him two weeks ago. And he's-- you know, he's turned into a <laughs> private wealth research equity trading investment banking organization that's still relatively small, but you know, I think it has a chance of being "the" Chinese global investment bank. I mean, what could be better than that?

Hancock: What could be better, indeed? Look what you started! <laughter> Well, let's turn our attention now to the work that you did beyond. You'd worked in-- started to change things in Japan, China, and then you started to move across Asia. Let's go country by country and talk about some of your other work. We turn next to Hong Kong and then Taiwan.

Wadsworth: Yeah, well, I think Hong Kong is just unique in terms of its face on a global financial market. When we opened up there in '86/'87, the market was dominated by all local brokers. And even then there were things like Jardine Fleming, which you could say were kind of global. But even in their case was there was a fairly local operation. And the leadership of Hong Kong, I would say led by the Stock Exchange and the SFC, the regulator, aspired to have Hong Kong become an international market. And they were smart enough to know that if it were to succeed as an international market, it would have to make firms like Morgan Stanley and Goldman Sachs and Merrill Lynch, etcetera, welcome- welcome in Hong Kong. But the local industry considered us to be the enemy. And so from the very beginning, it was a very contentious relationship between the international firms and the local firms. And it-- again, it's never been an experience that has a parallel anywhere in the world.

The Hong Kong government mechanism is a British system. They have a legislative council, a parliament, if you will, that receives questions from interested people in the community that they then debate, and take action on. And it was a little bit of a charade because the government really controlled the legislature, but there was always some local broker, I would say almost once a month who would register a complaint about Morgan Stanley's misbehaving on the floor of the Stock Exchange. And so I found myself getting calls from the SFC to go over and help them write the defense to respond to this complaint. Nowhere in my experience ever, you know, did I feel a partnership with the regulator where we were actually coaching them to defend us <laughs> in a public forum. But it worked! And a lot was accomplished, and I was invited to join the board of the Future's Exchange. We eventually merged the Future's Exchange with the Stock Exchange. We were one of the lead managers that took the Stock Exchange public.

I would say all of that was critical in developing Hong Kong as a global and international market, with a unique partnership between the international firms and the regulator. And we had interesting local business in Hong Kong. The real estate firms would do equity deals. The real estate firms would do international bond issues. But it was always relatively tiny business. The real game was the mainland Chinese stuff. But our anchor was importantly Hong Kong.

You know, next for me came Taiwan. And Taiwan was never going to be a very important international financial market. So most of the work we did there was investment banking work, mergers and acquisitions, and doing the odd equity deal for an important Chinese tech company. I mean, Taiwan had this sort of unique role of exporting a lot of technology to China, and building plants in China at a stage when that was very early on stuff to do. But it's never been a big market for Morgan Stanley. I mean, we have a fully integrated office there, but I bet even today, it's only a couple hundred people. It's still not a real-- a global market. The same with Korea. We sort of felt our way along. Has a rep office. We became members of the Stock Exchange. The key thing in Korea was to hire a local team. But even today, it's still is a fairly small market. Singapore was always a kind of foreign exchange trading base, and an oil trading base. We had research and asset management, but again, a fairly tiny market. Australia has been interesting. But again, a very open and free market to trade, but still a relatively small market. And my rule when I was there was to open an office in a country in Asia, the market cap of the stock exchange had to be at least as big as Microsoft. And--

Hancock: Now how did you come up with such a pithy rule of thumb? <laughter>

Wadsworth: Well, you know, it was sort of a hundred billion dollar number, and Manila didn't make the cut; and Thailand didn't make the cut; and Malaysia didn't make the cut; and none of the other countries were even close. So India was kind of the looming challenge.

Hancock: I was going to say what about India?

Wadsworth: And that was a huge challenge. we decided to do a joint venture in India, and it was for a totally different reason from China. India was completely open, so we could own a hundred percent of a seat on the Bombay Stock Exchange with no problem. But to make the economics work, all the numbers we did demonstrated that we would have to do a reasonable amount of local business as well as cross-border business. And obviously, China was a hundred percent cross-border. There wasn't anything in China. There wasn't any reason to, at that stage, have a license to do business locally, because there was no business to do.

But in India, it was clearly going to be very tough to build a local business without a partner. So that was the justification for doing the joint venture that we did in India, and for a while it worked, but I guess the perspective that I had, we-- it never got to be more than about a $35 million business in India, taking, you know, all of the businesses together. In China, we passed that number the first year and in five years we were over a hundred million, and today India-- the joint venture eventually was disbanded. Very difficult <laughs> and long story about the challenge of that partnership. So now we have a hundred percent on business in India, but it's still relatively a small business, and I think the problem with India is the regulations make it very difficult to do IPOs in India. Cross-border capital deals are tough to do, and the economy has always been kind of stalled, and hopefully the current leadership will solve some of those problems but...

Hancock: It's always just around the corner.

Wadsworth: Yeah, yeah. The opportunity to come.

Hancock: So Jack, you have this incredible decade-plus time of building Morgan Stanley across Asia. As you sum up sort of the impact, the scope of that, could you give us a few ways that we could understand the size of the business, number of people that you had on your teams? How would you sum that up? Deals that you completed.

Wadsworth: Well, I think--

Hancock: Culture you created. Economies you impacted. How can we sum up this whole chapter of Jack and Morgan Stanley across Asia?

Wadsworth: Well, it's about 20 percent of the firm's business now worldwide, and it's, therefore, I suppose, about 3,000 people, and, you know, it's like almost anything else that you think about in terms of facing Asia. I mean, I see it at the Asia Society and I see it at museums and I see cultural and academic conversations about Asia. You have to focus on Japan, China and India. Those must be your priorities. You have to pay attention to Korea and Taiwan, but the rest of Asia, you know, while it's intriguing and exciting and interesting.

Indonesia being one of the biggest populations in the world, certainly important Muslim population, from a capital markets point of view it's the three countries that really matter, and, you know, I see it at the Asia Society in doing, you know, exhibitions of art. <laughs> You end up always talking about China and India and Japan. So I think that will be true for quite a while. It really defines our business. Our business is evolving in really interesting ways. I mean, obviously we're a big factor in Hong Kong. We're a joint venture in Japan. I mean, that's another story. I was gone by the time that happened, but the joint venture with Mitsubishi is creating the first internationally-driven domestic securities activity in Japan in the history of the country, and, I mean, that's... Ah, that's a stepping stone to China, because I, you know, it's a very long conversation.

But there's never been a foreign firm in the history of the world to build a competitive securities business in America. Now, why is that? You know, it's the most open market in the world, and yet if you look at the history of Nomura and Warburg and UBS and blah, blah, blah, there're just no success stories. The same was true for us in Japan. I think in the United States the problem has been foreign firms hiring good people, because it's the people who make the difference. And the foreign firms always got second best. In Japan, I think we got the best, but as long as we were competing with Nomura and the other firms in Japan, the leadership of Japanese companies were never going to trust Morgan Stanley to do a domestic deal, no matter what we demonstrated in the way of expertise. So the joint venture with Mitsubishi Bank has disbanded that concern, and we're as competitive as any other firm in Japan.

And so as I talk to my colleagues in China, the question is, “On the table, we have a hundred percent ownership of a seat on the Shanghai Stock Exchange in three years. That’s in the cards. It’s going to happen, and the question for the firm is, “Will we attempt to build a domestic business? Do we have the courage, the people, the capital, and the guts to do that?” Because it’ll, again, it’ll be the first, and I said to my friends when I was in Beijing three weeks ago, “I want to be here. I want to do it, and I want you guys to have the guts to do it. So go for it.”

<laughter>

Wadsworth: But it’s not obvious how it’s going to be done, and, you know, one of the great legacies, it’s never talked about. I think it’s really, really an important issue. In the financial crisis of 2008, when Morgan Stanley almost went under the famous weekend.

Hancock: <laughs> So close.

Wadsworth: What saved us was a nine billion dollar investment from the Mitsubishi Bank, and we’d already had a six billion dollar investment from CIC in China before that. And I think had it not been for the reputation that our firm created, both in China and in Japan, those investments would never have taken place. So in a sort of quiet way, particularly the Japanese investment that happened at the Eleventh Hour, you know, if the reputation of the firm and the quality of the team in Tokyo that we all built, had not been a confidence-building enterprise in Japan, that deal would never have closed. So if you talk about big impacts, you might say that a couple of crazy scoundrels, running around Asia saved the firm in 2008. <laughs>

Hancock: These scoundrels. Speaking of which, when you retired...

<laughter>

Hancock: I wanted to just ask you about this-- you mentioned earlier that you don’t keep tombstones or lose sights of things, and yet this particular summary about what was raised in 2000 summed up in a way the deals that you were involved with. I’d like to talk about some of these companies, and...

Wadsworth: Yeah, yeah.

Hancock: And how they’ve turned out to be really the arc of technology companies across Asia.

Wadsworth: Yeah.

Hancock: Can you talk about those that are listed there and their significance and your personal involvement?

Wadsworth: Well, by this time I was going to pitches and closing dinners. <laughs>

Hancock: Well, you had a big team.

Wadsworth: Not organizational meetings, but--

Hancock: You had a big team by then.

Wadsworth: The two that you have to think about are AsiaInfo and Sena.com. These are the first two internet companies to go public in China. The first two, we did them. I remember calling Mary Meeker, to say, “The internet is coming to China and we need you to come out here and help us pitch these deals,” and she said, “Jack, how big are they?” I said, “Well, AsiaInfo, $25, $30-million-dollar deal. Sena.com, maybe a, $40-million-dollar deal,” and God bless Mary. She said, “Those are the fee sizes that I work on.” <laughs>

Hancock: Not the deal size, the fee size.

Wadsworth: Yeah, right. <laughs> So she never came out, and I like to rib her to this day. In 2005, I was back in San Francisco and she called me and said, “Jack, I’m ready. I’m ready to go to China,” and I said, “So.” <laughs> She, “Help me set up a trip.” I said, “Ah, I’m too busy.”

<laughter>

Wadsworth: But I did. So those were, you know, sort of watershed events. The other-- China Unicom was the third big Telecom deal to do an IPO. One of the things that was important to me about that is that Goldman Sachs did China Mobile, which was the first, and that almost cost me my job. <laughs> That’s a--

Hancock: Let’s talk--

Wadsworth: That’s a long story.

Hancock: Let’s talk about that.

Wadsworth: <laughs>

Hancock: That was not-- that was a difficult time for you, right, to lose--

Wadsworth: <laughs> Oh, yeah.

Hancock: --in a sense, lose that deal. That’s actually really helpful for people who are trying to understand in their own careers that not everything is always positive and, you know, rosy and up and to the right. Can you talk about that deal that went to Goldman? That was a huge thing at the time.

Wadsworth: Many things come to mind. I was giving a talk at Tsinghua University to a bunch of students that were interested in financial markets, and at the end of my talk a kid in the back row raised his hand and said, “Tell us about the China Mobile deal, Mr. Wadsworth,” and I said, “It sounds like you’re calling from New York.”

<laughter>

Wadsworth: Literally, that’s what I said. But no, it was important for a handful of reasons. One, nobody will ever know or appreciate the fact that China Mobile, at a very early stage, was negotiating to buy a big chunk of Hong Kong Telecom. So there was an M&A assignment that came up very early in the game, and we actually had an internal conversation about will there be an IPO of China Mobile in the near future? And if we take on the M&A assignment, will that preclude us from doing the IPO? And at that stage the IPO was in the distant future. It was at that stage looking like a very small deal, and the M&A assignment was on the table, so we elected to take the M&A assignment. The M&A assignment never really materialized and to this day it’ll be hard to know, is hard to know, whether or not that influenced China Mobile’s decision to actually hire Goldman Sachs instead of the firm, to do the IPO. And that’s really unimportant.

In the end we didn’t do the deal, and it was a real black eye. I mean, I had spent a lot of time, I think I mentioned before, that in the early negotiations of that big document, I asked Juan Keshawn [ph?] if we could have an exclusive right to do the international IPOs of the privatized Chinese companies, and he said, “Let me <laughs> call you back.” He called back in one day and said, “The answer’s ‘No,’” and I said, “Well, let’s think about it this way. If I hadn’t asked, I should’ve been fired, and if you said, ‘Yes,’ you should’ve been fired.”

Investment banks work best in competitive circumstances, and so it took-- since that was the really first big deal, it was a huge black eye, it was a massive disappointment. I never succeeded in convincing my colleagues in New York that we didn’t screw up by doing the joint venture and blah, blah, blah, blah, blah. Eventually, history now complete almost in terms of privatization, we had 50 percent of the book-running assignments of privatized companies that came through CICC. We were always in competition, but the most we have of any market on earth in terms of equity business is 20 percent. So it’s clear that that stake was worth a lot of revenue, but it took a time to demonstrate. Painful.

Hancock: So-- painful.

Wadsworth: <laughs>

Hancock: Very painful. Yet here you are sort of redemption when you have this later deal. What other ones do you want to mention there were?

Wadsworth: Ah, just mention UMC. I mean, that the other semiconductor company in Taiwan. TSMC was the big one. We did business with both, but eventually Goldman Sachs became, I would say, the banker of choice to TSMC. So UMC was our Taiwanese semiconductor company. ASE Test. I mean, even today, one of the biggest semiconductor test companies in the world.

Hancock: And in India there, you have--

Wadsworth: Wipro.

Hancock: --Wipro. Right.

Wadsworth: Yeah, yeah, 130-million-dollar equity deal. Yeah, that was critical. We did a few global Indian deals. The list is pretty short, but that was an important one. Sinopec. That really is very important even today, SOE. This is one of those <laughs> amazing-- sort of this was my last year in Hong Kong. Was a busy year.

Hancock: Was a very busy year.

Wadsworth: <laughs>

Hancock: Thank you, Jack.

Wadsworth: Yeah.

Hancock: Besides the companies, as you've-- another way to look at your impact, and on the firm, another way to think about it is also on the people. You hired so many people. Analysts and built teams. You recently had a anniversary reunion; is that right?

Wadsworth: Mm, yeah.

Hancock: Can you tell us a little bit about that reunion and kind of the people that were-- people that came with you? I remember at your-- I think this is a true story-- at your retirement one of the people presented you with a summary of "Jack." What was that? Let me just look that up.

Wadsworth: "The World According to Jack."

Hancock: "The World According to Jack," right?

<laughter>

Hancock: A list of that.

Wadsworth: Right.

Hancock: You know, where you deeply impacted individuals and whole teams. Whole generations really of people in the industry. Can you talk about that, that part of it?

Wadsworth: Well, one of things I'm most proud of, to be honest, is the people that came through the Asian business who are now running the firm.

Hancock: Yeah, let's talk about some of those people.

Wadsworth: Dan Simkowitz is running the global asset management business in New York. A product of Hong Kong. Was a capital markets guy in Hong Kong, and went to New York and rose to the top of the asset management business, is on the management committee, and is just one of the best in the business. And that has become … there are three lines of business for Morgan Stanley now. Asset management, private wealth and investment banking securities business. The other one in New York that I'm very proud of is Mohit Assomull, who runs Worldwide Capital Markets, and he, again, a product of Hong Kong, and had a bunch of investment banking responsibilities in Hong Kong. He went to New York.

And of course, Wai Christianson, who is running China and is co-head of Asia, with Gokul Laroia, and Gokul is, again, <laughs> was hired as an associate in investment banking in Bombay and came to Hong Kong and worked his way up through the organization. Probably one of the best securities people in Asia today. A lot of the people in Tokyo, you could say the same thing about, but yeah, different from the rest of Asia. The real talent in Tokyo tends to stay in Japan, and so that's pretty much the case.

But at this dinner there were about 25 of us around the table and without going down a list of names, what was intriguing to me is the interesting things that these alumni are doing. One guy is running Blackstone for China. Another guy's running Warburg Pincus in Asia. And one of the great success stories, I mean, the jury's still out, is a guy named Fan Bao, who started Renaissance Capital, and <laughs> has created out of whole cloth one of the real contenders in the securities business in China. Has a full array of domestic licenses and <laughs> I said to Gorman at the party, I said, "James, one of the things that I'm really proud of is the progression of impact that our alumni are having in all the things that they're doing, and in fact, it's always been a source of pride to me that when people leave Morgan Stanley, they leave for a better job somewhere else."

Hancock: <laughs>

Wadsworth: He said, "Don't say that, Jack."

<laughter>

Wadsworth: But it's true, and it's something to be proud of and I think we make good use of our alumni. They become clients, they become people of influence around the system.

Hancock: Well, is this a good time to end your discussion about your Morgan Stanley, 2001, you ended that time?

Wadsworth: Yeah.

Hancock: What inspired that change, and then returning back to San Francisco?

Wadsworth: Well there's a time to live and a time to die, a time to leave and a time to stay. <laughs> As I said to John Mack at the time, what motivates me is building things and opening offices and we don't need any more offices in Asia, and we certainly don't need any more joint ventures in Asia. So it's time, in my mind, to pass the mantle to the next generation. What I've really enjoyed and been motivated to do is what is now here, and it'll continue to grow and it'll be important and there'll be obviously many things that happen. But the real building is over, and so it's a good time to go, and I think I probably stayed an extra two or three years just because of my relationship with John Mack. I mean, it's hard to get things done when you're a full 12 hours away time zone-wise, and we had a relationship that enabled us to do a lot of things that had to be sold to the firm later, that we would agree to. And it related to transactions as well as big decisions on countries. I mean, he--

Hancock: What were some of those, examples of those?

Wadsworth: Well, CICC is probably the most prominent. The Indian joint venture was another one. A classic example of something that he and I talked about a lot. And we decided not to do was to make a big commitment to Indonesia. He said to me one day, "Why aren't we doing any government business in Indonesia?" and I said, "Well, it's something called the Foreign Corrupt Practices Act."

<laughter>

Wadsworth: He said, "Well, how did these other guys do it?" I, "Well, they have joint ventures with the Suharto kids," and he said, "Well, let's have one." So I spent a year negotiating a joint venture with Bambang Suharto. And the Foreign Corrupt Practices Act says that even if you have a joint venture you must be able to trace every nickel that goes through the joint venture to be absolutely sure that none of the money is finding its way into the pockets of a government official. So, we had the joint venture negotiated. We had everything ready to go, and I said to Bambang at the end, "I know from your point of view and from my point of view I want to be sure this is absolutely, positively bulletproof, this agreement. So, the last step is to run it by the Justice Department in Washington, to have their blessing," and that was the end of the deal.

Hancock: Oh.

<laughter>

Hancock: So, after having your building this incredible, incredible business for the firm there, you were on a plane back to San Francisco. Is the story true, that you made a decision about what you were going to focus on next? When did you know what--

Wadsworth: That's a true story. I mean, I--

Hancock: Yeah, can you tell us that?

Wadsworth: I've always--

Hancock: Story?

Wadsworth: Yeah. A little bit apocryphal, but I've always said I'm most comfortable when I'm beyond my comfort zone, and I think that's probably true. I was quite uncomfortable about having nothing to do when I got back to San Francisco. Literally -- I had a title. I was honorary chairman of Morgan Stanley Asia and a managing director and I had an office in the B of A tower, and that was it. The rest was a blank piece of paper, and I remember saying to my wife this, "It now feels okay because I just decided that a blank piece of paper was the ultimate definition of being beyond my comfort zone."

<laughter>

Wadsworth: As soon as I reached that conclusion it sort of felt okay, but coming back on the plane, we talked a lot about, you know, the importance of catching up with the family. It was a big conversation about New York versus San Francisco. All three of our kids that had been raised in Brooklyn were living on the West Coast. We had by then, I think, eight grandchildren and they were in Eugene, Oregon, San Francisco, and Newport Beach. I think everybody who gets to the point of having grandchildren comes to the conclusion that you go to them; they don't come to you. They've got their agenda and their life and blah, blah, blah. So if we were going see a lot of them, it had to be on the West Coast, and that was what led to San Francisco.

It was also comfortable for me having started the tech banking business and the venture capital business and having spent a lot of time in the Silicon Valley in the '80s. That it was a place that from a relationship point of view, we had probably more friends in New York, but from a business point of view it was a more comfortable place for me to be. And it's also easier to get to Asia from San Francisco than from New York.

So, all of that evolved into a conversation where I've always been interested in trying to identify what is the next big thing. That's been an important pursuit of mine, and I think going back, going to Wall Street in 1963, was a next big thing, because nobody was doing it in those days. Business school graduates were going to Exxon and DuPont and blah, blah, blah. Getting involved in tech banking and venture capital kind of felt like one of those next big things, and certainly Asia was the ultimate next big thing. And China, finally was the ultimate on that list.

In looking around for technologies that might fit the category of the next big thing, bioscience was something I didn't know anything about, and it just felt to me like a new frontier, and a new frontier for a whole bunch of reasons. The most obvious now looking back is that things like synthetic biology and gene splicing and gene therapy and blah, blah, blah, were really early days in terms of the science, and by that time IT had become a world of consumer ventures. It was no longer the semiconductor or the internet or all the stuff that drove these explosive growth numbers in the early days. Whereas bioscience, there's something that happens every day in the lab that's an explosive new almost industry. So that was that. Climate change, I mean, in-- I got back here just about the them that Silicon Valley was in the process of blowing a couple billion dollars on alternative energies and sustainability, the--

Hancock: <laughs> A bubble.

Wadsworth: Yeah, that bubble. And yet it became obvious to me that it was really about wind and solar and all kinds of sustainable energies and technologies. Batteries, electric cars that could make a difference there, and acknowledging that climate change was a serious problem. It felt to me like, again, the next big thing would be the market forces solving that problem. Governments are not very good at doing that sort of stuff….and then China, the U.S.-China relationship. I mean, that just had to be high on my list, and that led to a whole bunch of different things and it's a still, I would say, right today, number one on my list. It's devastating what our friends in Washington are doing to it. So those were the three things and I pretty much stuck to them. The--

Hancock: Was it three or four?

Wadsworth: Well, the fourth is family.

Hancock: Fourth is family, right.

Wadsworth: <laughs>

Hancock: So you-- I thought you mentioned four.

Wadsworth: Yeah, yeah, yeah, yeah, yeah. And woven into all that stuff is entrepreneurship and economic development and things that we're doing in North Adams, Massachusetts. I'm more convinced than ever that cutting across all of these sort of interesting endeavors is the whole difficult-to-describe phenomenon of innovation and entrepreneurship and risk-taking. It cuts across the whole gamut of stuff.

Hancock: I'd like to talk of each of those four areas that your retirement, <laughs> more active than ever, and also your philanthropy. Let's start with this cross-cutting theme of innovation, entrepreneurship and risk-taking, really creating value. You said you're a builder, you're a frontiersman, and I think that spirit of innovation, entrepreneurship, captures that where you're creating new industry, you're creating new value. What is it about that that you think, why is that such a resounding theme, and can you talk a little bit about how you're doing that in some-- not only here in the Valley but through your investment, your-- in China through Ceyuan and in North Adams. That's a lot but I--

Wadsworth: Yeah, right, right. Yeah.

<laughter>

Hancock: But I want to do this cross-cutting theme, because it is so core to what you're-- continue to focus on.

Wadsworth: I would say the overarching theme is about being able to make a difference somehow, somewhere, in small ways and big ways. And making a difference is essentially about taking risk, and what are the components of human behavior that encourage people to do that? It's a really complicated subject, but it's, to me, one of the most intriguing sort of themes that I've come away with after this long career, and it's one of the things that led us to art. I mean, that's getting a little bit off track, but Susy and I sat down 30 years ago. Morgan Stanley went public in 1986 and we put a million dollars' worth of Morgan Stanley stock into a family foundation, which is still going and prospering and the kids are taking it over.

The mission that we wrote down, one night sitting at the kitchen table, was to invest in new ideas in education, which fostered innovation, risk-taking and creativity. That was the mission of our foundation, and it sort of, I mean, that's a long time ago. It became the bedrock of a lot of the things that we have done over the years, and to me, you know, the whole idea of entrepreneurship and risk-taking and innovation is what makes the world change and get better. And so it's one of the essential ingredients in educational formula, behavior, blah, blah, blah, and I've always felt one of the traditions in investment banking is that you mentor kids by demonstrating how to do stuff.

<laughter>

Wadsworth: That's what a role model is about. So if you don't do it yourself, how the hell are you going to ever prove to anybody that it's worth doing? And so, to me, at the top of mind has always been the basic importance of embracing that idea. Whether it's a Manitou Ventures, that's really one of my favorite stories. Our youngest child, Christopher Wadsworth, went to Williams and he majored in Music. He was enrolled at the New England Conservatory to study classic composition, and standing in line to register, he chickened out, and <laughs> he went to the Chicago Business School eventually, thinking that making a living would be a worthwhile thing and getting back to music at some point would always be possible. He went to work at Montgomery Securities after Chicago, and then went to work at Macromedia, was a development guy. And when we got here, guess what? In 2001, we were right in the shambles of the dot-com bust.

Hancock: Yeah, what a time to come to the Bay area.

Wadsworth: <laughs>

Hancock: Perfect timing.

Wadsworth: Perfect.

<laughter>

Wadsworth: And Chris was out of a job and wondering what the hell to do. I consciously put money into a handful of private equity firms and venture firms in Asia before I left, with the specific….I mean, I had one in China, one in India, one in Japan … and specifically with the idea of not just making money but seeing co-investment opportunities that would be one of the things that would keep me hooked into Asian stuff.

So we're back in San Francisco about six months, and Chris is trying to figure out what to do and I sat down with him one night and the subject was what am I going to do, Jack, Dad, with these investment opportunities that are now starting to flow in from these private equity firms in Asia? I remember saying to him, "I'm going to make some of these investments but I'm not going to do the due diligence. I've been there before. I don't have the time. I don't have the interest, and so I'm going to have to hire somebody to do that if I want to be serious about that."

And one of those great phone calls…. the phone rang the next morning and he said, "Jack, I've been thinking about what you said last night. How about me?" A day later we had a deal on the creation of Manitou Ventures, and I said to him many years later, "You know, one of the most important things about that conversation is that it was your idea, not mine." Dad's don't tell their kids what to do and ever survive.

<laughter>

Hancock: Well, the relationship may not survive.

Wadsworth: Ah, man.

Hancock: So how--

Wadsworth: So the idea of Manitou Ventures was, I think, I put in 10 million dollars. That was the limited partner money, and Chris was the general partner. We had a split of the fees and the carry and blah, blah, blah, and our mandate was to put half the money into Chinese companies and half into U.S. companies. Five years later, the Chinese companies had taken off and the U.S. companies had failed or just hadn't done well, and that's where we cooked up Ceyuan Ventures. We said, "If this is the future, let's just do it. Let's go do it," and so that was, I want to say, 2004-- 5, so--

Hancock: So how was that having a two-generation involvement and also focusing now on China? Total investments that you've had since the-- how many funds, how many investments were--

Wadsworth: Three funds. Three funds. Well, it evolved in a curious way. We decided that we obviously needed a Chinese partner, and I had put some money into Cheng Wei, which was Eric Lee and Bo Feng together. If you haven't, read the book *China Dawn*--

Hancock: I have.

Wadsworth: Okay.

<laughter>

Wadsworth: That's classic. I should've read the book before we did the deal. Anyway, Chris spent a lot of time with both Eric and Bo, who by that time had agree to split, and so it was really a choice between Eric as a Chinese partner or Bo. Chris picked Bo, and for good and smart reasons. I mean, Bo is a startup guy, a risk-taker. Eric likes to invest in companies that have revenues, and..

Hancock: A little later-stage?

Wadsworth: Yeah, a little later-stage. So, then we decided, the two of us, that-- the three of us by then, that our first shot would be a sponsored deal, and I'd been very close to Gary Rieschel at Mobius and obviously Kleiner Perkins because of the old day. And we made pitches to both, and John Doerr said, "Let's do it. I mean, we got to do something in China, and you guys can be our China fund," and after doing high-fives in the parking lot that afternoon, the-- probably the best thing that ever happened to us was that John never responded. So, we dodged that bullet. The conversation with Mobius was with Gary Rieschel by then. The old SoftBank Ventures thing had morphed into Mobius, and we basically destroyed that firm.

Hancock: He says, laughing.

Wadsworth: Yeah, because Gary said, "Let's do it. I want to do China, and I'm raising another fund, and let's put China in the mandate, and you guys can go be the China fund." His partners all disagreed, and his LPs freaked out, so there was never another fund, and he went to China and created Qiming. Gary and I still laugh about that. I mean, it was, again, the best thing that ever happened to him, because he's been hugely successful after that.

After that, we decided, "Well, let's just do it ourselves," and so the three of us spent a year raising $125 million, big chunk of it being mine, University of Chicago, University of Michigan. I mean, for so many meetings, I mean, "It's a first-time fund, father and son, China. You guys got to be nuts. Who would ever give you guys money? This is the craziest thing I ever heard of." Bangkok Bank, ORIX, I mean, we had four or five anchor LPs that got us to $125 million. In 2006 we launched, and I spent a lot of time in the early days, but it was really Bo and Chris living in Beijing and doing it, and it could've been one of those 20X funds if Vonkle had worked. I mean, the last round of Vonkle was $300 million at a $3 billion valuation..

Hancock: Crazy rocket, right?

Wadsworth: … in 2007. Anyway, turned out to be a 4X fund, and that's not bad..

Hancock: Not bad.

Wadsworth: … and the second fund was about a break-even. They did two stupid things, which I argued with 'em a lot. They put some money out of the second fund into Vonkel and one other company that they thought was really a hot company in the first fund. You just don't do that. You just never do that. I don't care how smart you think you are. Both of those proved that it was a bad idea.

By the time Fund 2 was fully invested, Chris decided, I think for very good reasons, that if he was not Chinese, he would never be on the front lines in doing deals. He had a few, and he had some really good experiences, but he turned out to be more of the sort of admin guy, and that's not what venture is about. So, when the third fund came along, he elected not to be a general partner, came back to the United States, and the rest is a bluegrass history. But that's a shame [ph?] on ventures. And Beau is, along with Yenyei [ph?], in the process of liquefying Fund 3. It looks like a 4 or 5X fund, which is okay. It was too big. It was $300 million, and it sort of morphed into a Renminbi fund, smallish Renminbi funds, and Beau has gone off to do his family thing.

Hancock: So in another part of the world, you decided to get involved in-- around North Adams -- in entrepreneurship and more, museums and things. Tell us that story.

Wadsworth: There's a documentary film.

Hancock: Yeah, SXSW, right, just show.

Wadsworth: Yeah. I mean, that's the best story of-- being that it's there in an hour and a half.

Hancock: I would like to see the whole thing, but maybe you could give us, in your own words, kind of how you see the story arc. What did you envision? How did it evolve and unfold over time, and what are you most proud of, I guess, in what you're working on there?

Wadsworth: Well, it's a combination of being invested personally in Williams College and being a trustee for 15 years, and being very proud of that form of education and the power that a little institution like that has to send people off into the world to do amazing stuff. North Adams being a typical New England industrial town and a victim of the terrible things that corporations can do to a town when they decide their business is not working. A 500,000-square-foot electronics factory run by Sprague Electric just-- I mean, in the film, the documentary film, there's a comment by the mayor then, a guy named John Barrett, that he just met with the president of Sprague, and they said, "We're moving our headquarters down the road, not to worry. We will never leave North Adams. We're here to stay. We're going to keep you happy and fat." A month later they close the whole bloody thing, and 2,500 people were out of work, and the unemployment...

Hancock: Devastating.

Wadsworth: … yeah, went to 25 percent, and it's all over New England. I mean, it's a story of industry. Anyway, then the Guggenheim Museum was a big part of my life as a trustee, and that was a function of Tom Krens, who was a director, being a fascinating, inspiring, amazing guy, who, when he was at

Williams, invented Mass. MoCA as an answer to the economy of North Adams. I was not there at the time, but I was always fascinated with the idea, again, one of these sort of breakthrough, big ideas that cultural investment can foster economic growth. I mean, nobody ever thought of that idea. It was just a off-the-wall, rare-- I mean, cultural institutions cost money. They don't create economic growth. Come on. Give me a break.

Well, sure enough, it didn't work in North Adams except to a point. But then it worked in Bilbao, so it's the Bilbao effect that the Guggenheim and Tom Krens' idea really made happen. So when I went to Mass MoCA for the opening of what was called Phase 1, it was one of those moments of great celebration, because everything was going to be to the sky. It was just going to go to the sky, and we're standing-- Joe Thompson, who's the founding director, still is the director, standing in the second-floor window looking across River Street and looking at the worst neighborhood in North Adams. Just ugly, terrible, nasty tenements that had been factory-worker housing in the 1860s.

And I said, "Joe, you're going to have to do something about that neighborhood. It's your neighborhood, and the museum is going to suffer if it continues to be so terrible." And Joe, of course, said, "Well, why don't you do something about it?" and, again, I mean, classic Wadsworth program. Two months later, we owned the entire block. What to do with it? No idea. So, two months later, Nancy Fitzpatrick, the owner of the Red Lion Inn, calls and says, "Jack, how about a hotel?" After she introduced herself, and I said, "That's the dumbest idea I have ever heard." Six months later, we had a handshake, and today it's..

Hancock: The Porches, right?

Wadsworth: … the Porches, and it's the most successful boutique hotel in New England. I mean, crazy, and Mass. MoCA has gone through Phase 2 and Phase 3, and it's now got a $15 million endowment, a $7 million budget, and it's cash-flow-positive, and it's one of the hottest museums in the world. And North Adams is finally coming up.

But my involvement in the final phase of North Adams was to say, "What are we going to do to really turn this town around?" and so Susy and I funded an urban plan for North Adams. We hired HR&A in New York and SHoP Architects, and the-- seven years ago, and the plan is still sort of slowly being implemented. But the top of the list of any smart urban planner is new jobs created by new companies. So where're they going to come from? Amazon is not going to move to North Adams, so you got to create new companies. Hence a business-plan competition at Williams, at MCLA (Massachusetts College of Liberal Arts), a mentoring operation called Lever. A guy just kind of showed up on the scene who had a similar vision. Lever has now got a six hundred thousand dollar-a-year budget that's not-for-profit. It does mentoring. It does new-company creation. It has a little venture fund, but, again, the first year was a two hundred thousand-dollar budget. It was 100 percent Jack. The six hundred thousand-dollar budget is only a hundred thousand Jack, and so it's doing exactly what we thought it would do. We've created, I don't know, a couple hundred jobs and started four or five companies, and we're thinking about doing a one and a half million-dollar venture fund after the two hundred thousand-dollar pilot fund. So, again, it's a tremendous satisfaction to see these things working. Williams College now has, would you believe, an entrepreneur in residence. The faculty think they're nuts. I mean, it sounds almost too practical.

Hancock: It's not the ivory tower.

Wadsworth: No, no. We got an honorary degree, Susy and I, from MCLA. You have to call us Drs. Wadsworth...

Hancock: I didn't know that. I apologize. I should give you more deference next time, Doctor, both of you.

Wadsworth: … and so, for that, we actually funded the entrepreneurship curriculum at MCLA, which is a-- it's one of these public liberal-arts schools, has about 2,000 students. They have an MBA. They have science. It's a neat little school, and they've got a full-time design-thinking faculty member. Who would've thought?

Hancock: It's great. So, this catalyst of change for a whole community is something that you've also done in Ontario with your family. Should we talk about that next?

Wadsworth: Okay. Family is a big subject. Family is a big subject, and my generation of Wadsworths all grew up on the same block in Fort Thomas, Kentucky. And my father grew up on the same block. I mean, four generations were on this block in Fort Thomas, Kentucky. And 1965-ish all of my generation left, not surprising in a typical American sort of middle-class family. You just go off and start doing things, and we had always-- it was-- Christmas dinner, Thanksgiving dinner, Easter dinner was at my grandfather's house. It was black-tie.

Hancock: Really?

Wadsworth: Yeah, right. I mean, who can imagine this? I mean, but we were really close, and my grandmother told me two things that I will never forget. When we went off to New York, she said, "In Fort Thomas, Kentucky, we think everybody is honest until they do something to question that." She said, "My boy, when you get to New York, I think you should reverse that." The other thing she always said is that there's a huge difference between pride and arrogance. Pride's good. Arrogance is bad.

So there were just an awful lot of things that we always held important, and the family had gone on vacation since-- I mean, it's scary to think. For some reason, my great-great-grandfather went to Ontario in 1905. The Ohio River Valley was hot and humid, and you just didn't want to be there in the summer, and so everybody went north. So, fast-forward, there were all these English-style resorts in Muskoka that had been created by British who had land grants for that part of the world, and they really went there to farm. But up north it was all rocks and water, so the ones who stayed created resorts, and they were disappearing one by one, because the economics-- third generation that-- more valuable as real estate than a lodge.

So, 20 years ago we bought one, thinking that if we wanted to keep this lifestyle, we better do it. Fast-forward to today, it's a hugely profitable, 120-bed resort. It's about the only one like it left in Muskoka. We did it as a family. Over the years, I bought all the family members out and ended up 100 percent us. 5 years ago we put it into a Delaware perpetual trust with our 3 kids as beneficiaries and trustees, and it's cash-flow-positive in a big way. We have two amazing kids who run it, and so it's there. I mean, one of the things that-- about family compounds is that eventually they can't be afforded, and we have taxes when they get handed over.

Susy says, "You're trying to run the family from the grave, Jack." I said, "No, they can decide." So we had a documentary film made of the family 10 years ago by an amazing woman called Sue Lehman. She interviewed everybody in the family to the kids as I [ph?], and the question that was basically posed to everybody was, "Can Port Cunnington Lodge be a substitute for Shaw Lane in Fort Thomas, Kentucky?"

That was the question, and, hands down, everybody said it'll be hard work. But it's 2 weeks every summer, and that picture I showed you is about 100 people, and pretty much everybody comes, and we run the lodge as a business. But for 2 weeks every summer you can't make a reservation unless you pass a blood test, and we fixed the rates 20 years ago. So, they're now about half-market, and they're relatively cheap, and everybody can afford it from schoolteachers to bankers to whatever, and the motto-- we have T-shirts that say, "Family matters." And families tend to get together for funerals and weddings and get drunk for 2 days, and nobody knows anybody. Our kids know their cousins and aunts and uncles, and they-- it wouldn't work if it weren't for the fact that around December the kids start saying, "When're we going north?"

Hancock: That's the greatest testament that they are there. My family actually for 40 years-- not since 1905, but we have a similar thing, and it's powerful for good. Family matters. Thank you for sharing that. Well, we've talked about of your four topics, family. You mentioned your family foundation. You talked about this, but we haven't talked about your canoe journeys. Do you want to just make a little mention of that, since you be-- and the significance there?

Wadsworth: Well, it's a big subject, which to me is sort of about nature and about the spiritual side of life. None of us have ever been deeply religious, but nature has been an important part of appreciating. I mean, it's right there with climate change. Environmental issues are really important, but as a kid growing up, going up to Muskoka, I used to go fishing with my grandfather and blah, blah, blah. And I went to a summer camp up in International Falls, Minnesota, called Camp Kooch-i-ching, which is one of these rare canoe-tripping camps that's a product of some very visionary men years ago who put it in a foundation. So it wasn't run for profit. It's an educational foundation, and it's now-- I was chairman of the board of the stupid thing for a while. It's now a women's camp and a men's camp. The women's camp is called Ogichi, and the men's camp is Kooch-i-ching, and the founder of the camp, a guy named Bernard Mason, was a great student of Native American life. So a big part of the tradition of the camp was making Native American crafts and Indian dancing and grand council and all this hocus-pocus stuff but a very important appreciation of the life in the wilderness and what it all means. So I did the really stupid thing of taking Susy to Camp Kooch-i-ching for our honeymoon.

Hancock: You did? This was your honeymoon?

Wadsworth: Yeah. We spent two months at a boy's camp. She ran the mailroom, and the second week we're married. I'm out in the bush with 12 13-year-old boys wondering, what in the hell am I doing? Our lodging was a small cabin that we shared with the cook and his wife, and the wall separating us from them was a three-quarter-inch piece of plywood, so it was not about squeaky mattresses. It was about breathing.

How we ever survived that-- it's sort of been downhill ever since. I mean, it was a good thing because of that. But we always have had that piece of the wilderness in our blood, and we moved into 248 Henry Street in Brooklyn Heights, second floor. And who moved in downstairs? Bob Greenhill and his wife. I met Greenhill on the sidewalk, I don't know, two or three days later. It took us about two minutes to get to the wilderness and canoe trips, and he said, "Jack, we're doing the Albany River this next summer. You want to do it?" I said sure. So 1965, Susy and I and Bob and Gail Greenhill and one other couple did the Albany River. It was wild, wilderness, tough stuff, rapids, had to get on the train from Montreal and go west and dump the canoes off in the bush and blah, blah, blah, and it just got into our blood. We just loved the experience, and we did two more trips as couples, and then we started taking our kids on these trips.

Probably the toughest trip we did with the kids was something called the Burnside River, which flows into the Arctic Ocean north of the Arctic Circle, and it was a 3-week, 300-mile trip, and harsh, I mean, rapids, and there was snow on the hills in the morning sometimes, and—but it was incredibly important. Our kids would bitch and moan and, "What the hell are we doing up here?" But every college essay was..

Hancock: This was a defining moment.

Wadsworth: … yeah, about trips in the woods, and so it was important exposure to nature. People would ask me in New York … their vacations weren't three weeks in those days. So I had to leave, take an extra week, and worry about somebody taking my desk while I was gone, and there was no communication, no nothing. You're up in the Arctic of the north with no means of communication. If you get in trouble, it's-- you're on your own, and what experiences they were. It was something that I would never trade for anything.

Two of our kids keep doing it. John, who's the Newport Beach guy…. on the Burnside he came up to me one morning. It was 40 degrees and kind of misting rain, and we've got five miles of Class 4 rapids, and he said, "Dad, I'm sure that we could be having a vacation anyplace on Earth, because I think you're doing pretty well. So what in the hell are we doing on the Burnside River?" And then he said, "When I'm 21, I am never, ever going to do this again," and he's a surfer, and he has not ever done it again. So, yeah, I mean, it's a-- it goes on and on. I now do [Adobe] Lightroom, and I've got all of the slides. We took slides of all those trips organized on Lightroom, and I've digitized them, and it's-- we ponder them once in a while.

Hancock: Well, on your retirement list, I'd like to now turn to bioscience. You mentioned that you liked to be on the cusp of the next new thing, and this is, again, something where you are looking at another whole new area, not only in terms of an industry but a geographic location. Let's talk about Mission Bay Capital and MBC BioLabs.

Wadsworth: Well, first of all, I joined the board of the UCSF Foundation. I wouldn't say it was consciously focused on bioscience, but it was pretty clear to me in the research that I had done that there were a few places that really excelled at doing bioscience research, and Jeanne Robertson actually persuaded me to join the board, and I did a year's worth of due diligence. I said, "Look. It's a fundraising thing. It has no governance authority. Before I get involved in that, I would like to know what the hell they do and what's the relationship between the foundation and the university and who runs what and how the decisions get made and blah, blah."

So, I met every, I don't know, 10 or 15 people in the senior ranks of running the hospital, running the school, running the research labs and blah, blah, blah. So, I joined the board, and there were a couple of guys kind of focused on Asia, but also focused on entrepreneurship, something called QB3. One day I went down to meet him … it was just that simple, and said, "What're you guys doing?" Two guys, one named Reg Kelly and one Doug Crawford, and they're both scientists. They both had had labs and done research, and Gray Davis … Probably one of the great things he did, maybe not only thing that he did, was to have a competition at one point of the UC system schools, one in IT, one in nanoscience and one in bioscience, and the bioscience competition was won by QB3, which was UCSF, Berkeley and Santa Cruz. They had this funny little outpost down in Brook Byers' building, where they had three benches and a couple of scientists that had decided they wanted to do some commercializing of what they were doing. It became very apparent to me quickly, knowing nothing about it, that most great research is done by people who want to be doing basic research all their lives. They don't really have that much interest in commercializing it, but all you need is 5 or 10 percent of that crowd who has the bug to commercialize what they're doing, to make a business, eventually make an industry, and a couple of these companies had gotten funded. One had gotten sold, and so there was kind of a smell of maybe there's something happening here. What they said to me was, "There's a thing called the Valley of Death, and we would really love it if you would help us try and figure out a way to get these companies over the Valley of Death."

Hancock: Yeah, to cross that chasm, right?

Wadsworth: Yeah, right, and it's $200,000 or $300,000 to take whatever you're doing to the level of a proof of concept that can actually raise serious money. That was how it all started. And I said, "Well, this smells to me like a tiny, little venture fund that can do this stuff. Otherwise you'll be scratching around every time one of these things come up." So we raised $11 million, and that was Mission Bay Capital 1. The deal we made with the university was this is an experiment. It might well be philanthropy, because we're not sure it's going to work. But in order to avail ourselves of the university's knowhow and wherewithal and deal flow, we'll give the foundation 100 percent of the carry, which we did. There was no fee, and for the 1st year both Reg Kelly and Doug Crawford worked on their-- off of their UCSF salaries, and they had no economic interest. So it was not like a Sloan Kettering massive conflict of interest. It was just, "this is another experiment." It's just an extension of the lab.

And, sure enough, the fund looked like it was starting to work, and then they outgrew the three labs that they had in the Byers building. So, we went down to Dogpatch and found a building, took an option on it, 26,000 square feet, and then we started to talking to real estate offers. I'll never forget a meeting with

Doug Shorenstein and explained to him what we wanted to do. He said, would the university guarantee the lease? We said that would probably be too simple, and we think no, and he said, “Well, this is venture-capitalist, not real estate.” We found a funny little developer in South San Francisco called Dewey, who Doug had-- he lived down there. He’d heard that this guy was doing some kind of risky development in the bioscience space, and we went to see him. Fast-forward, they agreed to buy the building. They persuaded a bank to lend them the money, so $6 million, and we created a limited partnership and raised $3 million to fund the outfitting of the building, and…

Hancock: What year was that, roughly?

Wadsworth: 2010. We raised enough money in the $3 million to fund a year of rent, because we weren’t sure anybody would come. In a year, it was full, and the rents in Dogpatch have gone up about four or five times. So the rent spread in that stupid building, which is a limited-partners-owned, is now one and a half million dollars a year of free cash flow with the right to invest..

Hancock: The right investment.

Wadsworth: … in all the companies, and..

Hancock: Yeah, really a nice model, it turned out.

Wadsworth: Yeah, yeah. I mean, all that’s kind of luck. But I think in hindsight what has made it so extraordinarily successful is that there’s a great appetite among this group of really entrepreneurial scientists who want to do stuff to start companies. They didn’t really know how to do it, and this facilitated that. The other thing that is, again, purely serendipitous is that with all the big pharmas cutting back on their research budgets. They’re now all camped out around-- I mean, there’s a wall down at MBC BioLabs that has the names of J&J and Merck and all the big guys who pay $150,000 a year as sponsors of this incubator to be able to sniff around and see what’s going on. A company with good science gets bought for a billion dollars on the way out the door, which is quite different from Genentech, which took 20 years to create, because you have to do the clinical trials and build a marketing organization, blah, blah, blah.

Now it works. So there’re 40 companies. Well, you’ve seen the slide deck-- 40 companies in there, and we’re in the process of-- Doug’s in the process of doing another 100,000 square feet of incubators down in San Carlos. The last building we looked at in Dogpatch was sold for $60 million, not $6 million.

Hancock: Yeah, real estate. You’ve created a new ecosystem that’s so successful, it’s too expensive.

Wadsworth: Right, right. Then the scientists can’t afford to live there anymore, so they’re _______ around, too. We’re partnered with a group in Boston that’s doing the same thing.

Hancock: Kendall Square area, or where is that?

<pause in thought. Transcription resumes at 02:03:00>

Wadsworth: What is it called? I'll think of it in a minute. But it's-- Doug is a venture partner of that fund, and Peter Parker, who is the founder of the one in Boston, is a venture partner of Mission Bay Capital. And they have $115 million fund, and they have about 50,000 square feet of incubator space. It's right on the MIT campus, and it's an amazing old building, where Edmund Land invented the camera and..

Hancock: Polaroid…

Wadsworth: … yeah, it's got a lot of history, the building. But it's sort of three years that that partnership has begun to flourish, and we're doing a lot of co-investing.

Hancock: While we're talking about these ecosystems that you've been developing, I want to ask you about your perspective on what really enables places to start and flourish over time. You've done it in China, North Adams, I mean, a really diverse area. There've been academics that've been studying it, investors. Government policymakers have been trying to figure out the secret sauce of Silicon Valley or these other places. Typically there might be a profile for tech style or another one, but you've really been involved in building from the ground up sustainable ecosystems in diverse industries, diverse locations. What do you really think makes them work?

Wadsworth: The Doug Crawfords of this world. In North Adams it's a guy named Jeffrey Thomas. In Muskoka it's a guy named Dave Smith. I just find these guys, and you can tell-- I mean, you can just tell Doug Crawford said to me the other day. He said, "We are so proud of what we've created here. It's so hot that people are lined up to get into this place," and he said, "It reminds me of a block that has five restaurants on it, and one is full and the other four empty."

Now, why does that happen? It happens, because you're doing something right, and you're doing it well. And you create a culture that people get excited about. They want to be there. It's about people. I would say that was the secret eventually of CICC, and I'm still proud of the Morgan Stanley culture. James Gorman talks about it all the time. It's about a sense of pride in what you're doing and doing it right and being successful about it. People don't like to join sinking ships. They're not fun.

Hancock: While we're on the subject of people, you've met with notable people, from government leaders to apprentices who you've mentored. Are there any people that you would like to talk about that we haven't had a chance to? That's a big question, but I wanted to give you a chance. We've talked about it from Zhu Rongji to apprentices, but are there people that-- you've talked about people that have influenced you. You've talked about people you've dealt with, collaborated with, argued with, things that you've built things with, people that you've mentored. Any people that we haven't had a chance to talk with yet-- about yet?

Wadsworth: Well, yeah. We have really covered the waterfront.

<pause in thought. Transcription resumes at 02:07:08>

Wadsworth: Well, let me say this. We really haven't talked about the cultural world. I mean, Tom Krens is a genius. Alexander Monroe, who's the senior curator of contemporary Asian art at Guggenheim is extraordinary. There's a woman named Suhanya Raffel, who's building the new museum in Hong Kong, M+. Just look out for her. You can tell that Margaret Conley is-- I would say we pretty much covered the gamut in the world of business that I've been a part of, but in the cultural world, it's not dissimilar.

One of these little companies is Valt Company that I've-- slide deck. I mean, the entrepreneur founder is the head of the computer-science department at Williams. Where does a guy like that come from? This is a passionate entrepreneur who is so excited about what he's doing that he's now raising a two-and-a-half-million-dollar round to create what could be the most important password protection site in the world. What he's hit on is password sharing in the software. To create password sharing is not uncomplicated and every little company wants to share passwords, families want to share passwords, there's really no way to do it in a secure fashion.

I had a dinner for a bunch of Williams people in Boston a couple years ago and asked Brent Heeringa to come and talk about his company. Well, before he talked about his company he spent 10 … the guy is from, I don't know, Canton, Ohio, and he went to Ohio Wesleyan or some damn thing. He's about as, he's got as much purple blood in his bloodstream as, you know, a local cab driver. He spent 10 minutes talking about how much he loved Williams College and how much he loved the culture and how much it meant to him to be a part of this academic environment. I just thought to myself the company doesn't matter, this guy gets it, you know, I mean, he cares.

Wadsworth: It's in his soul.

Hancock: He just cares. So, yeah, they're, I've never met a politician that I felt good about. I think I'm becoming an anarchist. <laughs> There are some college presidents that are absolutely extraordinary and there's some really bad ones. Morty Schapiro when he was president of Williams was a very important cog in that wheel. I think Maud Mandel as the first female president of Williams is going to be a killer, she's good. But that to me is one of the exciting things about … all the different endeavors that one can be involved with, and the ones that are going to make a difference, are led by people who really know what they're doing. They have a passion. I think I told you Arthur Rock said to me once in response to what is an entrepreneur, he said it's somebody who has intellectual honesty and persistence. I said, "Is there a third?" He said, "No, that's it."

Wadsworth: Well, I did want to ask you, we've the saved U.S. and China for one of the last things because I know it's such a big topic, and maybe as a segue we could talk about the Asia Society first and then more broadly your work in bridging the U.S. and China. But how did you first get involved with the Asia Society? And can you talk about how you have helped build that institution in Hong Kong and here and your kind of vision for why that's so important and what you've been working on and its impact.

Hancock: Well, I think the basic idea of the Asia Society which was the Rockefeller Family's vision. If there is a philanthropic machine on earth that deserves to be studied and paid attention to it's the Rockefeller Family. I am amazed every time I hear about some other thing that they did over the years, and how did they do it? Why did they do it? Why did the family care? How were they able to keep expanding their network together is in and of itself just a world to be understood. And the University of Chicago, the first research university in the world in 1890 and still going strong. Where does stuff like that come from.

So John D. Rockefeller III in 1956 said Asia's going to be important, and to understand Asia you will have to understand its culture. What more do you need to know? <laughs> And boy, was he right -- on both counts. This crazy little institution with his money and vision and founding, developed a practice around three big ideas.

One is education, one was business and policy, and the third was arts and culture. The Asia Society is a funny thing; it has a stupid name. It has a business model that's really hard to understand because it's somewhere between social good and education. And it's hard to fund because it's hard to explain what it does. But once you get it, it's pretty powerful.

So when I was in New York, the place to be was Japan. I was a member of the Japan Society and was actually on its board, eventually on the executive committee. When we went to Tokyo, I had to disengage from the Japan Society because they had a stupid rule that if you didn't live in New York you couldn't be on the board. <laughs> That was their mistake. By the time I got to Hong Kong, the Asia Society had become a thing. And it was really encouraged by the leadership in Hong Kong in 1989 as one of many things to kind of show that Tiananmen Square was not going to end Hong Kong's role in the world. So let's have some things here that, I guess the Committee of 100 and there are a number of things that sort of came out of that era. I had known about the Asia Society in New York but it was kind of the other place because nothing mattered but Japan in those days, amazing. I met the first director of the Asia Society in Hong Kong and that explains the whole thing. He was a guy named Bert Levin, and he got me involved. I've been grateful ever since. He taught me a lot about China because that was his field of study and he wanted to be ambassador to China but he never made it, and--

Wadsworth: Is that a true story, or is it apocryphal about the deal you struck with Bert for him to educate you?

Hancock: No, it's true. Yeah, no, I said, "If you teach me everything you know about China I'll do anything you want me to do for the Asia Society." And it was expensive.

Wadsworth: That turned out to be a big commitment.

Wadsworth: Yeah, it's still paying off. And so having grown cognizant of the importance of having space for the arts and culture, I mean, it's fine to do business and policy. You can rent a hotel room any place in the world. The education piece is sort of virtual. Susy was teaching Asian studies in high school in Brooklyn and the only place she could get materials, curricular materials, was up at the Asia Society in Manhattan. Now it's Mandarin teaching and all kinds of academic programs that are important.

But, again, there was a very bright, ambitious woman named Mary Lee Turner in Hong Kong who became the director after Bert left and she had run IBM in China. She was a non-stop person. One day we were sitting down thinking about the future of the Asia Society and I said, "Let's hire McKinsey and do a 10-year forecast and figure out if there's a place in this model for a building." And obviously there was if you did it right, and then we started looking for a building. We approached every tycoon in Hong Kong about giving us a building. You know, they looked at us like we were from Mars, and finally found the Magazine site.

Wadsworth: Beautiful, so stunning.

Wadsworth: Yeah, well, but you can imagine. Chien Lee, Chien Lee's another story. His family is the Lee Garden's Hysan real estate family, and Chien worked at Morgan Stanley as an associate after Stanford Business School. He and I together raised $150 million for Kleiner Perkins in 1982, and his family put a lot of money into that deal. They're still thanking us. <laughs> And Chien and I were sort of a committee of two to find the site, and one day he said to me, "You know, when I lived up on Magazine Gap Road I used to play in a jungle down the hill. Let's go look at it." So we did, and, I daresay there were maybe two people on earth that could have been moved by that experience.

You walk into the main ammunition storage building, it has 6-foot-thick granite walls and 50-foot bays, four of them. There are only two things that that building could have been used for -- to store gun powder and to store art. It was just obvious. So we literally spent the next 10 years making it happen. And I think with a reasonable dose of humility that the argument we made to the Hong Kong government was fairly simple. It was if you want an international city you're going to have to have world-class culture, arts, academic institutions, clean air, clean water, the stock market is unimportant. It'll be a good thing and a port's important, but blah, blah, blah, and the only way you're ever going to get there is with private sector governance and leadership and curatorial risk-taking. The civil service of Hong Kong is not going to do that for you.They will not do it for you.

And I remember the famous meeting with C.H. Tung and Anson Chan, where we put that argument forward, and it was give us this $3 billion piece of land for a buck a year in perpetuity. C.H. said, "If what you guys do there isn't really good, I'm going to be in deep trouble." <laughs> But anyway, that's what we said, private sector, curatorial risk-taking, a global architectural competition to design the building and philanthropy. We'll do those three things for you, and I've got to say the police station, M+, West Kowloon, I mean, I don't think we can take credit for all of it, but we did show the way, and, you know, it's a different Hong Kong.

Hancock: It is.

Wadsworth: It's a different Hong Kong.

Hancock: And, as you say, an international world-class city added, only added to its not only luster now, but its impact in an ongoing way for the cultural life.

Wadsworth: No, it's not a good prospect to imagine being just another city in China. There are going to be a lot of those. <laughs> But to be an international city, that's a worthwhile aspiration. And Shanghai will surely be another one, but there are not going to be that many, and Hong Kong deserves that position. So, it was logical for me to get involved with the Asia Society back in San Francisco when we arrived here. But by the time we did all this stuff in Hong Kong, even from Hong Kong, I had become vice chairman of the board in New York and was intimately involved in strategy.

And Vishakha Desai is another one of those, I mean, if you want me to talk about some amazing human being, she is it. I went to her, Susy and I went to her 70th birthday in New York about three months ago, and it was in a really cool space in midtown Manhattan, and there were about 40 people there, and there were 38 Indians and us. <laughs>

Hancock: You fit right in.

Wadsworth: Right. Yeah.

Hancock: Well, so your U.S./China focus is… We've talked about your venture capital and we've talked about Asia Society, but it also extends into other areas, Teach for China, education, the Rhodium Group. Do you want to talk about, and then, of course, we'll come to art, but how about if you take us on that journey.

Wadsworth: Well, let's see. The way to get into it is art. We decided that we wanted to learn as much as we could learn about the Asian cultures, and you can learn the language, you can study the history, you can do a lot of things, but to us it felt appealing to collect art and to learn about art through that endeavor. So that we did with a lot of passion. We collected modern Japanese prints, we collected 20th-century Chinese ink, and we collected modern Chinese photography, and I have a pretty decent sized collection of scholar's rocks because that is a centerpiece of the Chinese sort of mythology, literati tradition. They're mostly relegated to my den in New York because Susy doesn't like them elsewhere, so I live with my scholar's rocks.

Hancock: I'm sorry to hear that. Some Ming furniture too I think you mentioned.

Wadsworth: Yeah, and Ming furniture. And you know, we collected all that stuff because we learned from it and we liked it. In each case it had a grounding in some aspect of the cultures of the countries that we cared about that made a difference. And we collected modern Japanese prints from 1945 to the present. That was a period of great creativity in Japan. It was a real departure from the traditional woodblock print-making tradition and it was very much about the creativity that dominated that period in Japan after the War.

The idea of Chinese 20th-century ink, from, again, 1949 to the present meant that it was a way of studying the Great Leap Forward and the Cultural Revolution. It was also a collectible idea because unlike many art forms in Asia it had almost a Renaissance -- sort of character to it in the sense that if you studied that period, there are not a lot more than a dozen great masters. It's not like you've got 50 to think about, and that means it's manageable, because you can study each of the great artists and they each had their own approach to things and you could learn a lot by studying their history and their lives. It also, by sheer coincidence, this was honestly, it was not on our mind, but that art form and the great masters, in the '90s were just dirt cheap. It never occurred to us that that was an idea.

Same with Ming furniture, we liked Ming furniture because of the period that it represented, but also its design. Ming furniture is very much sort of in the tradition of American Arts and Crafts. It has a sort of clean design character to it that is appealing to us. We ended up with 10 pieces of Ming furniture, and they're 10 times worth now what they were when we bought them. Our kids say why, everybody else was doing stupid stuff when they were in Asia. How did you guys pick those two things? So that's the story. Where does that go in terms of the U.S./China thing, is that next?

Hancock: Yeah, that's next.

Wadsworth: Yeah?

Hancock: I'd like to hear. Just take a step back and hear about not only your work, but your assessment of the drivers of the relationship because you've been in it at a very key piece. But also looking ahead, what do you see as the I guess opportunities and challenges? It's really important for us to understand that.

Wadsworth: Oh, boy, I mean, there's nothing, you know, let's be immodest about it, there's nothing more important on earth in my view than the U.S.-China relationship right now and for the next five years. And that's it, nothing else matters. I mean, you've got to keep plugging away, but, oh, it's so critical. What made it easy in the early days was this consensus conviction in China among the leadership that a market economy and capital markets were the way forward, and that was a compatible idea and we could all buy into it, and we could all help with it. That's the amazing part of that era.

We gave a lot to China and we gave it willingly, not just because it was a philanthropy, but because it was a two-way street. We were all going to benefit if they got it right, and so it's just one of those things in hindsight it's so simple. You meet a guy like Zhu Rongji and he gets it, he gets it, Wang Qishan gets it, Zhou Xiaochuan gets it. I mean, it was, even one of the most important pieces of work that the Rhodium Group did was their study of the Third Plenum in 2013. That's still is a living document. It's the most important thing that anybody studying China today could read, should read, because it's the pursuit of that reform agenda that will eventually define what is the China of the future.

And the fact that it stalled, you know, for the last seven years is not an accident in my mind, that's a whole other subject, but the reason that that era was so easy to understand and so easy to be a part of is that there was a compatibility of views and a compatibility of desired outcomes. And, boy, did it work! There's been so much written about the Chinese Miracle and blah, blah, blah. It's not a miracle at all. It's not a mystery at all. It's about Western ideas and capital markets and entrepreneurship and creating new companies. It's so goddamn obvious it's unbelievable. You don't need to write books about that. It just, it was going to happen, and it did happen, and then we hit the wall. Why did we hit the wall? I think there's one really big reason and that is that American thought leaders had this misguided notion that China was going to become like America. That is a dumb idea. It's just really a dumb idea. And the people who believed it and the people who lived it are now the people who are massively disappointed, suspicious, and distrustful. Boy, they let us down, you know. They were never going to do that.

Well, guess what? China is China, China is going to be China. You've got to figure out ways, to work together when the good times are happening, and you've got to figure out ways to work together when it gets rough. It's just too easy for naive, uneducated, stupid people in Washington, DC, to get it wrong. That's where we are today. They have absolutely, positively gotten it so wrong that's it backfiring. I have some ideas. I think a good example of getting a complicated thing right which is, and we can talk about it this afternoon, it's a kind of roadmap for the way forward was the "Reinventing Fire" exercise. I don't know if you know the details of that thing, but for the record--

Hancock: Yeah, let's put it for the record, this is important.

Wadsworth: There were a handful of things that were good topics of discussion between the U.S. and China in the last, say, 15 years. Or go back 5 and then maybe 10 years. One was issues related to the market economy and the capital markets. We had a lot in common. Guys like Wadsworth and John Thornton were on the advisory boards of the CSRC. They reached out to us and they did a lot of the stuff that we thought they should do. And on the economic front, great scholars from Stanford and Chicago were welcome in Beijing. It always used to piss me off when Merton Miller would come to Beijing and get a meeting with Zhu Rongji, and I'd been asking for one for six months! And he'd be in there on a day's notice. There was this great curiosity about the Western economic ideas and there was a lot of knowledge transferred. Arts and culture, educational things…. Who would have thought that Teach for America would work in China? Teachers in the field, organized by an American organization? Give me a break. Well, it's like anything else; it's like CICC. You discover that they don't want the teachers in Shanghai, they want them in Yunnan Province, where they built tons of schools and they have no teachers. So you figure out what they need, and then you have a deal. Climate change was right up there on the list of things that we could talk about because there was a compatibility of a--

Hancock: Had to.

Wadsworth: Yeah, yeah, and so Amory Lovins wrote the book, "Reinventing Fire," I read it, I called him on the phone and I said -- and we've known each other for a long time in a bunch of different ways -- I said, "Amory, do you think this will work in China?" He said, "I'll bet it would." I said, "Well, let's figure out how to test it."

So Amory being Amory the first thing he insisted on was translating his book into Chinese, that was almost more important than the science. So we did that, and then we convened a meeting in Aspen. I don't know the exact date; it's about five years ago. And I hired a plane and took a group of people from Lawrence Berkeley National Labs, the Energy Foundation, and the Asia Society to Aspen. We spent the whole day in Amory's house talking about would "Reinventing Fire" work in China. And even more importantly we talked about should the Rocky Mountain Institute ever even go to China? Was there anything for them to do there. Well, at the end of the day we concluded yes on both counts. I'll never forget, there was a guy named Jon Creyts, who is now in charge of the Rocky Mountain Institute China Practice, and that day was Jon's first day at the Rocky Mountain Institute.

Hancock: What a first day, what a way to start.

Wadsworth: And he had left McKinsey where he was in charge of their worldwide energy practice, and that day ended with his being in charge of China. And I would say the most important lesson from that whole exercise going forward was that a group of people at LBNL, who had had a lot of experience in China, and the Energy Foundation who'd had a lot of experience in China, identified the Energy Institute as the only partner in China that could ever make it happen. And so there is the formula -- three incredibly credible, independent, not-for-profit institutions with a passion about a problem that they were determined to solve, knowing that to get it done they had to have a partner in China who could help them get it done. And then to put together a team who, number one, did the research and applied all of the "Reinventing Fire" theories to the Chinese GNP, proving beyond a shadow of a doubt that it had much more leverage in China than it had in the United States because of the balance of legacy versus new stuff in manufacturing and transportation and new buildings.

And the moment I will never forget was Jon Creyts called me and he said, "Jack, you have to keep this to yourself, but the conclusion is that this thesis is much more powerful in China than it is in the United States, and we're in the process of explaining that to the senior leadership. But the people at the Energy Institute have told us that the conclusions are embargoed until they decide that the world can be told about the outcome of this research. Because Xi Jinping is about to meet with Obama and they're going to be talking about Paris after that. And if the world knows how powerful this research is for China they might be held to higher commitments." <laughs> Wow, I mean, talk about we won that round, whoa.

Hancock: Wow.

Wadsworth: So if I take that and apply that sort of story, to me what is the current equivalent to climate change being technology, how can we get a conversation going that would have an equally powerful meeting of the minds on 2025 and all of the implications of the bullshit that the Trump administration is throwing at China on Huawei and technology stealing and technology transfer and the FBI going after academic people. It's just gotten to a point where it's apocryphal, it's scary, and yet, if we could have a combination of the Computer History Museum, I don't know, Lawrence Berkeley National Labs….I'm kind of scared of academic institutions like Stanford because it's kind of a red flag, but the Asia Society…. Identifying what is the equivalent of the Energy Institute in the field of technology and begin to develop an agenda that makes the most obvious and apparent points about how the world prospers from a China and a United States that are working together as opposed to the disaster that's about to happen in this train wreck that we're now on. I don't think there's a second issue to work on, I really don't. There's no sense working on politics or human rights. Come on, all that stuff is off the agenda, It's technology, just like it was climate change, and the common interest is, it's so obvious to anybody who has a reasonable brain. <laughs>

Hancock: Sounds like you've just created a great next conversation for what you're going to do next. Jack, I'm sorry that we're out of time, but you've taken us on an incredible journey from Fort Thomas, Kentucky, around the world and back again. I want to thank you for the privilege to add your story to the Museum's collection. As we close, you know, I asked you earlier about your word of advice for an entrepreneur, but you were very kind to actually provide a list of 11 kinds of advice for life you have. You could imagine maybe somebody's looking to you as an apprentice, or maybe one of your grandchildren. But could you share what these things are, you've talked about many of them along the way, but could you sum up for us kind of your advice for life, what those are and why.

Wadsworth: Well, the list is just that list of things that I think about from time to time, and it actually came about as a result of a challenge from a friend who said, "So we have a grandson that's going off to university next year, Jack. What would your advice be?"

So I sat down and made the list. So at the top of the list is the next big thing, and I honestly feel that no matter what you're doing in life you need to focus, and focus is not possible unless you somehow develop some criteria about those things that are going to make a difference and those things that won't make a difference. And you can spend your time on either list, but I think the more time you spend trying to figure out what really is going to make a difference is key.

The next one is take a risk, I mean, nothing ever, ever, ever happens unless you stick your neck out a little bit. You don't want to be stupid about it, but my father had a picture hanging in his office in a manufacturing plant in Dayton, Kentucky, and it was a picture of a turtle with his neck out and the caption said, "Observe the turtle, he only makes progress when his neck is out." <Laughs> When I was 50 he sent that to me. He said, "It's your turn, my boy."

Think critically, I mean, this is such an important part of the entire American academic underpinning, and it's something that you don't see in a lot of cultures. For a young Japanese student to question a professor, is just a hard thing. Thinking critically is how you get there, when you don't get something, you say, why? And if you don't get a good answer you've got a bad teacher.

Make a difference is, just sort of a part of the whole idea of, again, setting priorities so that what you do makes the world a better place than it was when you found it.

Live design thinking. This is something that I came across really because of Stanford and a lot of the stuff we're doing in the Berkshires, and, there are books, stacks of books, written about this, and yet, to me it's such a powerful, simple idea that you don't need a lot of books to think about what is design thinking. It's about identify a problem, identify a solution, and execute. There's not a fourth, and most endeavors fail on the execution part of it, so really focus on that.

Humility, you know, wins. A personal trait … I have never felt political or I've never felt it important to be running for office. Too often people spend an undue amount of time running for office, running for the next job, competing for the next place. Do what you do well, and you'll be rewarded.

Be empathetic, I mean, there's just nothing better than being able to relate to your colleagues, to your fellow man, I mean, to be able to understand, try to understand what's going through their heads and affecting their behavior.

Humor is important. You don't want to be silly, but to me to approach a complicated problem with a dimension of humor is just really important. You can see it in the way I think and talk, and you can always see a funny side of anything. Humor is not to make fun of people; it's about sharing what is funny.

Always have a plan B. That is number one for me. You do the very best you can to get plan A to work, but probably half the time it doesn't. Plan B doesn't have to be a big plan B, but you've got to bob and weave and shift. Be intellectually honest. This is kind of the Arthur Rock view of the world, and I think what's really important about that in our world of entrepreneurship and venture and creating new companies is it's a proven fact statistically that of the great success stories in new companies only about 15 percent of that success is as a result of the original idea. The only way you get to the next idea is by being honest with yourself that it's not going to work and never give up.

My favorite example of that one -- there's a former prime minister of Singapore named Goh Chok Tong, and I was in Singapore about a year after Lee Kuan Yew passed away, and I said, "So what's it like in meetings at the government now without the old man around?" He said, "Well, we didn't really think about it before he passed away, but there's a missing ingredient now in our conversations that we never thought about while he was around. That missing ingredient is his approach to life and everything challenging." He said, "There are two kinds of visionaries, there are dreamers and there are the ones that won't take no for an answer, and the old man was the latter." <laughs> That's it.

Hancock: That's it, Jack. Thank you. Have we missed anything that you want to have in your final thing? That's a wonderful way to end.

Wadswolrth: Well, it is, and thank you. I mean, I've enjoyed the conversation. It's been a lot of fun. It's been a challenge, it's been helpful to Susy in terms of emptying out our shelves. But it's also fun to reflect and it's constructive, so thank you.

END OF THE INTERVIEW

