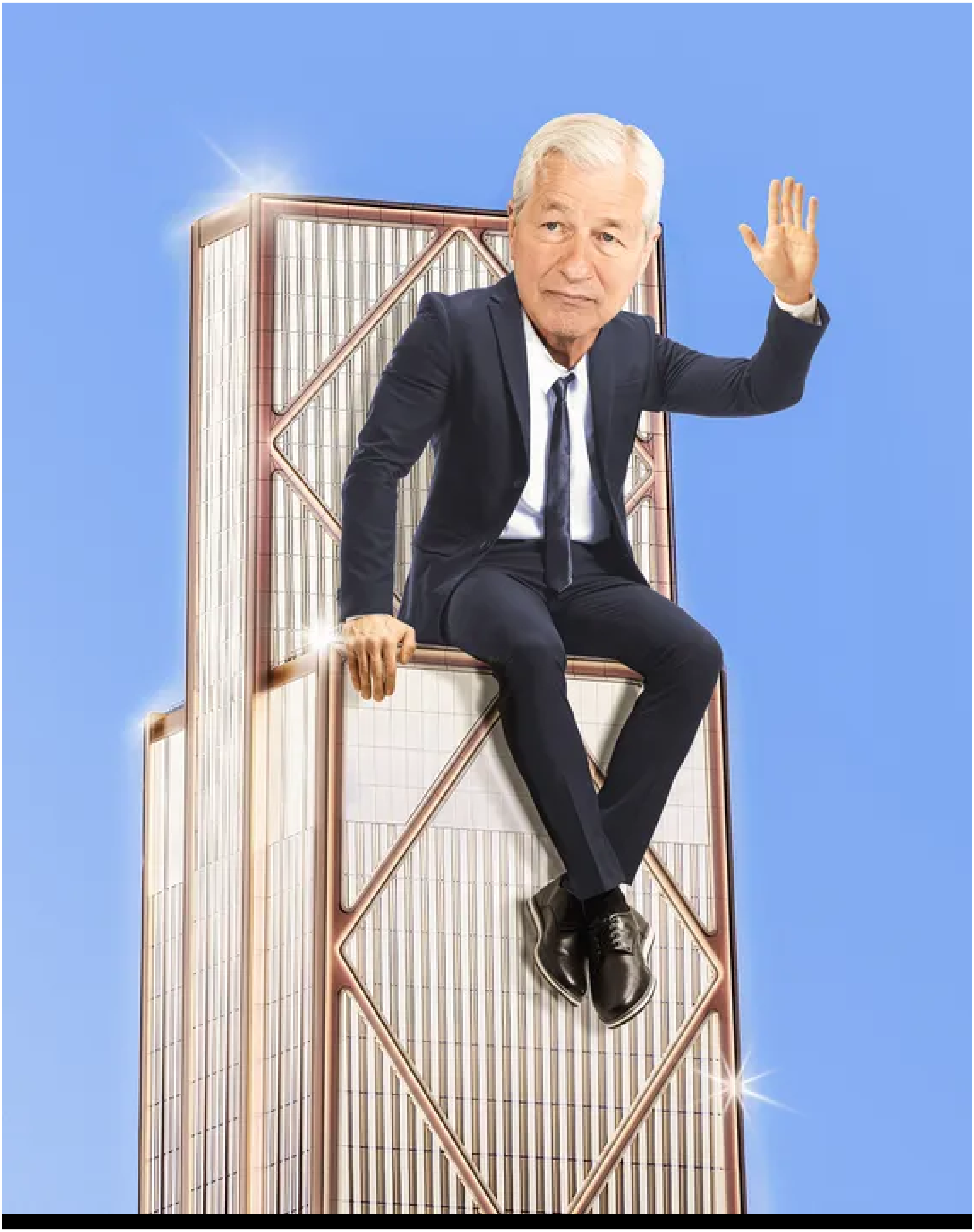

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Jamie Dimon's $4 Trillion Machine He made JPMorgan Chase the biggest bank in the world. What is it, exactly?

By Gary Sernovitz

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One day this past June, I walked to the 51st and Park branch of First Republic, the bank where my wife and I had our accounts. Used to have? The tenses were confusing. Just a few weeks earlier, First Republic, with $229 billion in assets, had collapsed. The third federal rescue in weeks. The market had been frightened, and so had I. Not so much about our savings — our level of deposits was insured — but rather that panic would spread and crash the deposit-insurance system itself.

Although I've worked in finance for 28 years, I knew about bank runs the same way everyone else did: from the hysterical customers of Bailey Brothers demanding Jimmy Stewart give them their money. Walking up to First Republic, I expected *some* materialization of disorder — a "Closed for Business" in Sharpie scrawl, a confetti of withdrawal slips. But there was nothing. There were, instead, four employees milling about in tidy business casual. Electronic posters in the windows cycled through customer endorsements and photos of chocolate-chip cookies, come-ons for a bank that no longer existed. I wondered why I had never gotten a cookie.

The four employees had come to work because they now belonged to JPMorgan Chase. That bank, the largest in the world, with just shy of $4 trillion in assets, had become even larger when it bought First Republic and, just like that, snuffed out the panic. Those four employees used to have 7,000 co-workers. Now they had 294,000 of them — more than all the women in Wyoming. JPMorgan's immensity invites such golly-gee statistics. The $51 billion in profit that the bank generated over the last year is bigger than the gross domestic product of Jordan. Its credit cards, loans, and checking and savings accounts are in nearly half of American households. It has branches in all of the Lower 48 states and an ATM in Hawaii. The company has no physical presence only in Alaska. Its mutual funds still own Alaskan bonds.

JPMorgan is spending $3 billion to build a new global headquarters, and from 51st and Park I walked three blocks south to see the construction site. The skyscraper already has ego, full of implicit rebukes to other banking towers. It is rising in the heart of Manhattan, not on the wallflower edge of the island (like Goldman Sachs). JPMorgan will not tenant-occupy its new building (like Bank of America) but own it in full. The avenue-deep structure will be ascendant, narrowing over five levels to 1,388 feet, looking down on the Empire State Building — a Matterhorn, the Morganhorn, with a summit fit for a mountaineer's flag. One wonders if Jamie Dimon, the bank's CEO for 17 years, will place his office at the peak.

Gawping skyward, however, only tells part of the JPMorgan story. Before I wrote this — an attempt to explain what, exactly, Jamie Dimon has built — I had a lot of half-formed ideas: that JPMorgan is the circuit board of American capitalism; that JPMorgan is so dominant that the U.S. government must regularly rely on it; that JPMorgan is the Amazon of finance, an octopus monopolist with tentacles choking off every competitor; that JPMorgan, eater of small banks for breakfast, has been in this position without interruption from the time old Walrus-Mustache Bulb-Nose was knocking together trusts.

None of these things, I found out, is true.

The correct view of the new JPMorgan tower is both vertical and perpendicular. From that vantage, you see the bank as both the king of the island and a citizen of the avenue, constrained by the grid. JPMorgan emerged from its mishmash origins to become the market leader with more outer restraints and inner caution than people assume. Nothing was predestined or even likely.

Can you trust me on that? That is, can I write objectively about this bank? Let us count the ways I can't: JPMorgan is the lead lender to a division of the private-equity firm where I work. JPMorgan manages an emerging-markets bond fund I've invested in for 12 years without success. I have pitched JPMorgan Asset Management without success. I have pitched JPMorgan Private Bank without success. Recently, I was pitched *by* JPMorgan Private Bank, success TBD. I am acquainted with people who work there. My boss told me that if there is a 0.01 percent chance of offending JPMorgan with this essay, don't write it.

But that is sort of the point. The bank is so ubiquitous that to ask a finance writer not to write about it is like asking a politics writer not to write about the government because she has a passport.

To understand how the bank makes money, you should know that few employees of JPMorgan Chase say that they work for "JPMorgan Chase." They think of their employer as either "Chase" — conventional banking, offering checking and savings accounts and credit cards to people and small businesses — or "JPMorgan." The latter group, JPMorgan, is divided into investment-banking and commercial-lending divisions that make money from loans, fees, payment services, and trading; there's also an asset- and wealth-management division offering, among other things, mutual funds broadly and money management for the rich. In recent years, Chase has generated about 40 to 45 percent of the bank's revenue, JPMorgan investment and commercial banking slightly more, and JPMorgan asset and wealth management the final 10 to 15 percent.

The combined business, which most outsiders refer to as simply JPMorgan (and so I will, too), makes money in three ways. Just under half of its revenue comes from what people have been doing since before Hammurabi regulated interest rates in Babylon: paying depositors less to use "their" money than charging lenders to borrow "yours." In aggregate, as of September 30, JPMorgan had $2.4 trillion in deposits for which it paid depositors on average over the prior quarter 2.5 percent interest. Overall, it loaned out that money at a 2.7 percent higher "net yield."

About a third of revenue last year was "non-interest revenue." This is a waterfront of moneymaking: an overdraft fee for someone bouncing a check; an annual fee for someone jonesing for a metal credit card; investment-banking fees for advising on a merger. The final 22 percent is "markets" revenue, from trading everything: stocks, bonds, swaps, futures about the price of cocoa, crude, carbon emissions, coming defaults, the already defaulted, in rupee, riyal, and Romanian leu.

The bank's total revenue, $154 billion over the last year, is so large it creates its own gravity, sometimes difficult to escape from. Market leaders are prone to complacency. One former executive told me the bank isn't good at innovation. Another wondered why anyone would think a bank this big *could* be good at innovation.

And yet JPMorgan has still separated from its rivals by using scale in classic economic ways. In 2022, the company took some of its profit and spent $14 billion on improving its own technology; only a dozen or so banks in the U.S. have more than $14 billion in *revenue*. The bank invests to grow by singles and walks. At some point before 2017, someone there wondered, "Why don't we have branches in Boston?" The bank built 42 in six years and got $2 billion in deposits. Scale means JPMorgan can try things — to me, pretty random things like buying luxury travel agencies and foodie websites — and if they prove to be mistakes, it can easily absorb them. Scale means the bank can even absorb mistakes that would have been fatal for others, like the $6 billion lost by a trader known as the London Whale in 2012.

Maybe the biggest benefit of scale is aura. A large commercial customer of the bank told me it "gave" its banking and hedging business to JPMorgan because it believed that the bank's imprimatur would give the borrower credibility in the market. When the company issued bonds, JPMorgan's investment-banking division took a piece of the underwriting revenue because it would look creepy if the lender wasn't part of the deal.

This aura defies contemporary logic. Rich customers of private banks are usually snobs. That's kinda the whole point of being rich: Loro Piana over Target. Yet somehow JPMorgan has found a way to convince the Loro Piana customer of its essential Loro Piana-ness even as it runs Target. This is the same for commercial customers, as JPMorgan is no longer considered a notch below the prestige of Morgan Stanley or Goldman Sachs.

Our rich history spans over 200 years," the company's website boasts, and so it's tempting to start the tale in 1817, when Joseph Morgan bought the Exchange Coffee House, a Hartford establishment that — very hip — sold coffee and booze and — not so hip — became a location for and a participant in incipient American finance. But the bank's adolescence through Joseph, his son Junius, and his grandson John Pierpont was determined by the *opposite* forces that forged today's JPMorgan.

Joseph-begat-Junius-begat-Pierpont is the story of American finance back when it was startlingly personal. The Morgans sorted out bare-knucklers and bounders and the occasional honest entrepreneur. They underwrote the industrialization of America and served as ballast in a bust-prone and almost wholly unregulated system.

The company that Dimon now leads arose from a totally opposite context: a mature, competitive, bureaucratic industry with commoditized services and heavy regulation that confined the possibilities of the sector to an extraordinary degree.

So let's start there. In the 1990s, as the industry was being partially *de*regulated from that cramped state, banking headlines were about mergers: mergers for scale (the way to increase profits in any low-margin industry) and for strategy (to put together things you once couldn't put together). Chase then wasn't really Chase but one of the acquisitions of Chemical Bank, which had already bought two other large lenders and took the name Chase Manhattan because "Chemical Bank" sounded like a place to store your benzene. In 2000, Chase bought J.P. Morgan & Co., which had been shrinking in importance in the nearly eight decades since Pierpont died. The merger was not well received by bankers at J.P. Morgan, the smaller but more glamorous institution. According to *Last Man Standing*, a 2009 book about Dimon that is still remarkably relevant, 80 of the top 100 people left soon after the deal. I was at Goldman Sachs then, and to us junior analysts in our three-button suits, the combined and rebranded JPMorgan Chase — with its aspirations to become a force in trading and investment banking — was embarrassing, a suburban dad voguing at a wedding.

The bank to envy at that time was Citigroup, assembled by Sandy Weill. Starting with a downscale credit business in Baltimore (car loans to convicts et al.), Weill gobbled up name-brand financial-services companies (Smith Barney, Travelers, Salomon Brothers) until finally swallowing Citibank, the biggest bank of all. Next to Weill through the meal was Dimon, whose parents knew Weill, who interned for Weill in college, who joined Weill out of Harvard Business School, and who became president of the Weill machine at 35.

One of the strangest things about Dimon's career is that the man who now leads the world's largest bank has never really worked *for* a bank. He helped Weill buy and transform financial-services companies. And then he *ran* banks. During his years with Weill, there was a clear division of labor: Weill was chutzpah and vision, Dimon was operations and numbers. He would obsess over downside, integration, and costs, cutting newspaper subscriptions and country-club memberships and jobs. Everyone noticed how good he was, and by 1998, Weill, a complicatedly insecure egotist, could no longer tolerate it. He fired his professional son. Dimon considered CEO jobs at Home Depot and elsewhere and then shocked everyone by agreeing in 2000 to run a hodgepodge of poorly integrated midwestern banks, which overcompensated by calling itself Bank One. In four years in Chicago, Dimon relentlessly fixed the institution.

That talent was what Bill Harrison, CEO of JPMorgan Chase, decided was missing in his larger bank. In 2004, Harrison bought Bank One in a merger with some business logic — and to get Jamie Dimon. He agreed to make Dimon CEO in two years. While Citigroup is remembered today as a cautionary tale (with a stock down nearly 90 percent since its peak), Dimon brought to his new job three parts of Weill's vision. First, to be an acquirer in the future, be a low-cost competitor with a great balance sheet today. Second, done right, you can create value by putting disparate financial services together in one bank. Third, don't be a snob. As *Last Man Standing* says about Dimon, "A business doesn't have to be sexy to get him excited; it just needs to be reliable, profitable, and growing."

And so Pierpont Morgan to today's JPMorgan is your immigrant great-great-grandfather who left you your last name: symbolically important but only 6.25 percent of your DNA. JPMorgan, at the moment that Dimon inherited it, had multiple ancestors, cultures, systems, businesses, personalities — and thus no personality. He ended up giving it his own.

Jamie Dimon has an ego. His intelligence isn't a bluff. He gets to the essential point quickly. He's not afraid to have smart, talented people work for him. He's not afraid of firing people working for him. He talks constantly about doing the "right thing." He has a temper. He doesn't suffer the unprepared. He demands written reports 48 hours ahead of time. He absorbs more from those reports than his executives think possible. He's impatient. He likes — exalts in — single-sheet to-do lists.

Three of his grandparents immigrated from Greece. He grew up in Manhattan and Queens. His voice holds onto Manhattan and Queens. He didn't get into his first choice of college. He got rejected from 14 of the 15 jobs he applied to after college. He can be funny even if his humor can come in repeated bits. His writing voice is blunt, loose, commanding. It does not feature what his speaking voice was long known for: a whirlwind of *fuck*s. He's a Democrat. He is patriotic and curious about policy. He doesn't like black-tie affairs or golf. He has no conspicuous hobbies. He enjoys traveling for his job and a country place in Bedford. Otherwise, in the same penthouse on 93rd and Park that he bought when he moved back from Chicago, he is a homebody, preferring the company of his wife and their three grown daughters. He cares about the bank. He is *interested* in the bank — its position, its markets, its loans, its risks, its risks again, the point of view of people on the front lines and three rungs below him.

Dimon has changed a bit, people tell me. He is 67. He had throat cancer in 2014 and a ripped aorta in 2020. He's less of a hothead. He has cooled it on the *fuck*s, although he can still summon the old fastball. He may no longer be reading the last line of the last page of every report. But he's still remarkably the person he was when he joined JPMorgan.

Dimon had been CEO for only two years at the start of 2008, the year of the global financial crisis. What everyone now remembers is that JPMorgan did less poorly than its rivals. Squawkers argue that his executives, distracted by the work of coordinating teams from legacy banks, were simply late to the subprime hysteria. And it's true that they made some bad loans, particularly in credit cards and private-equity buyouts. But JPMorgan sold the most rickety parts of its housing-credit portfolio early and never participated in a big way in the mortgage-securitization mania that killed banks, hurt homeowners, and knocked the economy on its back. From whatever combination of prudence and luck, JPMorgan had spilled its third glass of wine on the carpet. Other banks had driven drunk into a school bus.

The reward for being relatively healthy was two acquisitions: Bear Stearns (taken on reluctantly, urged on by the government, a money-loser) and Washington Mutual (more classic Weill-Dimon, enabling expansion into Florida and California). Yet *not imploding* does not equal *doing well*. As a retired senior executive at the bank told me, even after the worst of the crisis, life was a grind from government consent decrees, bad loans to work through, a weak economy, businesses to be rebuilt from scratch. JPMorgan didn't even come out of this period in the pole position. In April 2010, it was, by market capitalization, only the third largest of the big four commercial banks: bigger than Citigroup but smaller than Bank of America and Wells Fargo.

Some nights, as he surveyed the challenges to expanding his bank, Dimon must have wondered if he should have taken that job at Home Depot. In 2012, he admitted that there was "no road map" for how to grow and run big companies. The paths he was famous for were closed. Cost-cutting by enthusiastic strategy had been replaced by cost-cutting by financial necessity. Acquisitions were out because of government approvals that would never come and the rule that no bank could hold more than 10 percent of the nation's deposits.

The path that remained was, perhaps, the one Dimon always wanted to take while living in Sandy Weill's always-be-closing world: straightforwardly, cautiously running a bank. (Isaiah Berlin, quoting C.I. Lewis: "There is no a priori reason for supposing that the truth, when it is discovered, will necessarily prove interesting.") The ethos Dimon brought seems less of the financial world than of other big companies: Sam Walton's Wal-Mart, combine a broad offering with a preoccupation on costs; Jack Welch's GE, focus on market position and employee upgrades; Warren Buffet and Charlie Munger's Berkshire Hathaway, be patient and simple.

This is still how JPMorgan battles the constraints of being heavily regulated, heavily commoditized, and heavily competed against. Victory is always on the margin. JPMorgan has been good at building what Dimon calls "franchise value" — the ability to build a brand that sells products (and maintains an aura) rather than just offers the lowest price. Half of Chase's customers use more than one of its products. The bank takes pains to not seem too red state or blue state, targeting $2.5 trillion to "advancing a sustainable and inclusive economy" *and* rebuffing calls to stop banking the oil and gas industry. JPMorgan lives by a Dimonism: "First and foremost, banks must satisfy all of their regulators." It settles disputes with the government quickly, even if it has cause to fight.

JPMorgan's rivals, attempting to step up growth and catch up to the leader, have blundered. Goldman Sachs tried to build a Main Street savings, lending, and credit card division too fast, at a cost of billions. For 15 years, Wells Fargo pressured employees to cross-sell financial products. But instead of creating franchise value it damaged its franchise (and paid a record fine) when it became clear that the employees had opened millions of customer accounts fraudulently. To repair things, Wells hired a new CEO: Charlie Scharf, who for 25 years had been a lieutenant to Jamie Dimon.

People on Wall Street love — truly, love — talking trash about their competitors, but when I researched this article, I found surprising respect for JPMorgan. A board member of a rival bank marveled at how the bank's employees all seem "to row in the same direction." One hedge-fund manager told me that JPMorgan's research and trade execution is generally the best of the banks he deals with — as are the ethics of JPMorgan employees, who lack the "spiciness" of other bankers. (And this guy once sued JPMorgan over the terms of a credit-default swap!) Another customer told me that JPMorgan's commercial banker had an intellectual depth and command of the details above other bankers and a long-term relationship focus that eschewed many of the ticky-tacky fees banks annoy their customers with. JPMorgan has achieved this through a GE-style focus on culling underperformers and an ability — thanks to its profitability — to retain long-tenured employees. It never hurts on Wall Street when you can pay people more.

Perhaps the core of JPMorgan's differentiation is risk management. This starts with a "fortress balance sheet," a phrase inherited from Dimon's Citigroup days. At its most basic, the fortress is built with a decision to hold more capital in reserve than even the regulations require and to use clear-eyed accounting to not disguise hidden liabilities. But risk management goes deeper. As the retired executive explained to me, rigorous risk assessment at the bank came *before* growth, because in banking you can always grow in ways you shouldn't by loaning more to people unlikely to pay you back.

The retired executive told me that JPMorgan meetings could be “90 percent negative,” focused on what could go wrong, even regarding businesses where nothing was going wrong. He was not nostalgic for Sunday nights reading 60 pages of numbers. (“Not just reports,” he clarified. “Sixty pages of just numbers.”) He still admires the company and its approach: “Banking is a vanilla business. People who make it more vanilla do better.”

How much better? Even five years ago, the idea of the big-four U.S. banks made sense in a Beatles sort of way. There was JPMorgan and Bank of America, the other giant across investment banking, consumer banking, commercial banking, and wealth management, then Wells Fargo (with little international footprint) and Citigroup (global but with fewer U.S. branches). John and Paul, George and Ringo.

We have moved from the Fab Four to Tom Petty and the Heartbreakers: JPMorgan’s $3.4 trillion in what the Federal Reserve calls “consolidated assets” is almost $1 trillion more than Bank of America, twice the size of Citi and Wells, and equal to the combined total of the next seven banks after that.

The common conception of Jamie Dimon is that he’s a guy who likes to brag about the colossus he has constructed. And he does, a bit. In his annual “Dear Fellow Shareholder” letters, Dimon includes a *Le banque, c’est moi* table comparing a generic investment in the financial sector with an investment in *him*, going back to what he started at Bank One. The most recent installment showed him winning by 872 percentage points.

There’s a lesser-known Dimon pose that, I think, is more revealing. In that same 2022 shareholder letter, Dimon sums up JPMorgan this way: “Despite our best efforts, the walls that protect this company are not particularly high — and we face extraordinary competition … We recognize our strengths and vulnerabilities, and we play our hand as best as we can.” I’ve read this world-weary passage a dozen times with admiration. It captures what every banker knows in her heart: While JPMorgan does some things better than its competitors, while men and women graduate from Yale to assemble PowerPoint decks elucidating what JPMorgan does better than its competitors, a rich family with a wealth adviser or a middle-class family with a checking account or a CEO looking to take a company public almost always has plenty of other good options. In some transactions, JPMorgan is just a model-dictated interest rate on a car dealer or mortgage broker’s screen. The customer usually goes for the lowest price.

And it’s not just *banks* posting interest rates to screens. This is another theme of Dimon’s recent letters. Once upon a time, banks’ biggest competitors to storing money, loaning money, and moving money was money — stuffed under a mattress and pulled out to buy a cow. The decentralization of *loaning* money is old news: People have been issuing bonds for centuries, securitizing loans for decades, and increasingly borrowing from big asset-management firms like Apollo barreling into "private credit," the hottest segment of finance today. The *moving* of money is now being disrupted by Apple Pay, Venmo, and others coming for the fees formerly captured by Chase credit cards. And the guiding spirit of blockchain-based decentralized finance is to liberate the *storing* of money from the duopoly of mattresses and banks.

JPMorgan is also, for the most part, an agent in finance. Its investment bankers provide advice. Its private bankers pitch wealth preservation (and tax "management"), not beating the market. Even its asset-management business is known for more cautious strategies, partly because of regulation and partly because of corporate personality. Thus the challenge: No one is born an investment banker versus a hedge-fund manager. And while much higher risk, private-equity and hedge funds are where billionaires are made. To many professionals on Wall Street, that's all that matters.

Finally, whereas Dimon's career began in a deregulatory moment, JPMorgan's business now is more boxed in than ever by congressional grilling, public attention, and at least ten separate overseers in the U.S. alone. Dimon usually takes an *I'm-not-complaining-but-I'm-kind-of-complaining* attitude to this all. (Well, sometimes he's complaining. To an audience of bank nerds, on the subject of the "global systemically important banks": "We always said that the G-SIB calculation is nonsensical as it is not risk-based at all. It drives absurd behavior …")

The U.S. regulatory system has effectively two tiers. To help small banks compete with big ones, regulations on them are lighter by cost and by the cash they must hold onto in case things go wrong. Instead, they can use that cash to make money. The eight U.S. G-SIBs — the big four plus Goldman Sachs, Morgan Stanley, Bank of New York, and State Street — have significantly more oversight and much higher cash-reserve mandates. (Because if they fail, it'll be very bad.) But the field is leveled again because these banks have economies of scale and other sources of revenue. JPMorgan made $51 billion over the past year despite having a balance sheet that would allow it to lose, in theory, $496 billion without needing to raise more equity capital.

And then there is how the Federal Reserve, outside its regulatory powers, determines the price of much of what JPMorgan "sells" by setting baseline interest rates. The Fed also competes against it by offering bonds with yields better than available in a Chase account. It's as if the U.S. Postal Service started selling cold brew next to every coffee shop in America.

Those are just the external threats to JPMorgan. Internally, an all-the-women-of-Wyoming population will always be hard to manage. Former employees complain to me of dealing with "armies of lawyers and compliance guys" and joke that the company's stock ticker, JPM, stands for Just People Meeting. The bank is not a von Trapp family of cheerful innocents singing arm-in-arm under their stern but charming father. Its employees are subject to the human condition. They have rivals. Good corporate politicians sometimes rise faster than more capable employees. People grumble about their pay. Investment bankers and traders *have* to grumble about their compensation — just look at the Jordan of profits even after everyone gets paid — as a sign of character.

And people do stupid things. In recent years, the bank has suffered from embarrassing, expensive hits from boomer gullibility (as a fanboy to Adam Neuman) and incomprehensible moral blindness (as the banker to Jeffrey Epstein). Last year, JPMorgan paid a $200 million fine because employees were doing business over WhatsApp, where lawyers and regulators couldn't keep an eye on things.

And yet there is some tautology to the fines and failures: They haven't mattered because they haven't mattered. They haven't mattered in a general way: Banks were the villains of the economy 15 years ago, but now it's tech companies. This is not just luck in short-attention-span America. It's also boredom of the correct kind. Banks *are* less villainous — not because bankers suddenly got character but because of regulations and market pressure to be more cautious and efficient.

The fines and failures also haven't mattered in a specific way. Richard Ramsden, the bank analyst at Goldman Sachs, says, "What JPMorgan Chase has managed to do, which has really surprised people, is finding ways of growing as the largest bank in the world. The view for a while was that the banking industry is not really a growth industry. The only way to grow was by acquiring other entities or taking on excessive risk. But JPMorgan Chase can grow in all of their businesses, predominantly organically."

Maybe because we're living in a coronation year, between Charles III and Taylor Swift, a lot of people have been proclaiming Jamie Dimon the king of Wall Street — especially after the bank run JPMorgan ended in May. Dimon did act a little Pierpontish. Before First Republic failed, JPMorgan deposited $5 billion in the bank in an attempt to shore it up, and Dimon reportedly led the effort to get ten other banks to deposit another $25 billion. When that didn't work, six weeks later, JPMorgan bought First Republic outright.

The popular narrative of the deal contains a few elements that aren't really true. First, that JPMorgan was the government's only option. Not so; there were four bidders. Second, that JPMorgan backstops a panic regularly. I'd argue that 1895, 1907, 2008, and 2023 are closer to Chicago Cubs banner years than a habit. And third, that JPMorgan got some sort of special deal. On this last point, the FDIC did agree to some notable terms; it loaned the bank $50 billion of the $61 billion in cash needed for the purchase, and it pledged to absorb 80 percent of any losses on First Republic loans. Yet, as clarified by Bloomberg's Matt Levine, our poet-philosopher of finance, these features are less things JPMorgan *needed* — First Republic loans aren't especially risky, and JPMorgan has plenty of money on hand — than what JPMorgan *wanted* to protect its capital-reserve ratios. In the end, the bank paid what Levine called a "pretty high bid."

There was a defensive and offensive strategy for that bid. The defense-oriented reason, as explained to me by Ramsden, "is that JPMorgan was going to pay anyway and might as well get something out of it." The FDIC insures bank deposits, but it's not an insurance *company*. It's a regulatory body that collects money from banks. After Silicon Valley Bank and Signature Bank failed early in 2023, the FDIC issued a special assessment of $16.3 billion. (It's like if your neighbor burned down her house and, the next month, the fire department sent everyone else on the block a special bill.) In our two-tier regulatory system, the smallest 4,000 or so banks will pay nothing of this assessment. The largest 114 banks will pay it all. Per Ramsden, JPMorgan is usually responsible for about 15 percent of these assessments. The market expected a failure of First Republic to lead to another one for $25 billion to $30 billion. Had JPMorgan not bought First Republic, it would have had to pay 15 percent of that, and 15 percent of every assessment following, domino failure by domino failure. That's reason enough for JPMorgan to end a bank panic.

In the public business case for the acquisition, Dimon said that the deal "modestly benefits our company overall." This was not the immodest deflection of a fat cat, feathers fluttering out of his mouth after a feast, but rather an accurate statement. Most of the onetime paper gains are offset by restructuring costs. The $500 million in projected additional net income is 1.4 percent more than the bank earned in 2022. The deal grew JPMorgan's assets by only 7 percent.

JPMorgan's ability to acquire First Republic without breaking a sweat comes from its risk management and scale. The bank assigned 800 people to analyze the deal. Within two months, its capital-reserve ratio returned to exactly where it had been, and it's even higher than that now at a healthy 14.3 percent. JPMorgan's scale allowed it to solve the problems that got First Republic into trouble. The first problem was economic: First Republic didn't use commonly available, if expensive, strategies to hedge rising interests. JPMorgan is a master of managing interest-rate risk, a core specialty of a bank making nearly $30 billion per year in trading revenue.

The second problem was sociological: First Republic wooed rich customers with cheap loans, good customer service, and apparently cookies. (Except for me: I was wooed by ATM-fee rebates and a nice umbrella.) The bank presumed that if (a) you give someone a multimillion-dollar interest-only loan for his Sagaponack house and (b) do a lot of other must-be-nice-to-be-rich stuff like couriering thick envelopes of cash to that house so that he can pay the help, then (c) that customer will be with you for life. (The envelope thing, by the way, is true.) It's a sensible theory. But First Republic customers were financially literate, gossipy, multi-accounted, and ultimately unsentimental. Many joined together in the bank run, goading each other into yanking almost $102 billion in deposits in the first quarter of the year. They didn't even need to send the help to wait in line for their money. They just used their phones.

To be clear, the rich, when not spooked, are not bad customers. It's terribly embarrassing to have one's Hamptons house foreclosed upon, so they pay back their loans. They're not too focused on interest levels in checking accounts. They have money to invest. This was attractive to JPMorgan, which has a Jack Welch–ian strategy to be a market leader in every business line. It has that status in investment banking, credit cards, and consumer banking. It does not have that status in high-net-worth money management, a very fragmented, lusted over, and (yet somehow still) highly profitable business. The First Republic acquisition brought in 200 wealth-management advisers, managing $200 billion. On the margin, it helps. And so, in part, JPMorgan bought a bank brought down by catering to rich people because it caters to rich people.

It could do so because, as the bank for everyone everywhere, it's not *overly* reliant on them. First Republic, SVB, and Signature were banks with novel tilts: banks for coastal rich people, for the tech industry, for New York real estate and crypto. Lavender honey, salted caramel, cereal milk.

Vanilla won.

Of course, not everyone was thrilled. On May 18, Senator Elizabeth Warren grilled the acting head of the Office of the Comptroller of the Currency for approving the First Republic deal. There were pop quizzes on how much bigger JPMorgan was than PNC and Citizens, who also bid. (Eight times and 14 times bigger.) "You are the one person," Warren concluded, "who was supposed to use judgment on the question of: As between multiple sales, which one was the right one to go with and which one presented more risk to the banking system? According to your own metric, you chose the one that gives us more concentration in the system. I am very troubled by that decision."

Warren's disquiet originates partly from a technical thesis: that if big banks fail, they will cause systemic problems because they are bigger and woven into more parts of the economy. In other words, one day, JPMorgan or another big bank could suffer a megarun or lose tens of billions owing to the Calf of the London Whale. Chaos ensues.

This could happen. But the U.S. doesn't have a particularly concentrated banking system. It is the sixth-least-concentrated banking system in the world, behind Vietnam, Iraq, Taiwan, Bangladesh, and Nepal. The U.S. has half of its bank assets in its five largest banks. Canada has 85 percent. Germany, the Netherlands, and Sweden have over 90 percent. Anyway, are large banks more likely to fail than small banks? In 2023 the answer was neither. *Mid-size* banks with strong lending discipline but too-interesting business models collapsed.

A second objection to bank concentration is that large banks have unfair competitive advantages, ironically for the opposite reason of the first objection: People perceive big banks as safer because of greater regulation and diverse depositors and loan books. Bank runs tend to focus the mind on such facts. Today, even solvent regional banks are doing things they really shouldn't have to, like scheduling meetings with major customers to detail why they are solvent.

There is a sense that JPMorgan must be hoovering up customers because of its reputation as the biggest and safest bank. I'm sure this is true in some cases, but it's hard to measure. JPMorgan's average deposits are *down* one percent over the past year. Whatever billions of deposits were acquired with First Republic and flowed in from new customers worried about further contagion were offset by other depositors leaving for institutions offering higher interest rates or withdrawing money to pay down loans.

One critique of bank concentration weaves the two objections together, claiming the only way to level the playing field is to insure all deposits at all banks. Otherwise, a search for safety will cause a cascade of deposits into a few banks, which will one day run into trouble themselves, requiring nationalization. This is gloomy and improbable. Our banking system is still regulated to encourage size diversity. Dimon lists the ways that JPMorgan itself supports that fragmentation, providing services to smaller banks such as payment processing, hedging, trading, loans, capital raises, and more. And small banks' greatest protection? Apathy and inertia, maybe the secret to healthy banks (and easy living). There's an old truism in the industry: Customers are more likely to get divorced than change their bank.

And yet, outside the practical arguments, discomfort remains. A "hipster antitrust" regulatory movement has arisen to check the power of giant companies. Even as its specific actions lose in court, its motivating mood captures something. We live in an age of benevolent despots: companies that shame us with their market power but entice us with what they sell. I cringe at the incessant appetite of Amazon and Microsoft. My family mocks me for my ardor for Whole Foods and Excel.

Our dread of benevolent despots is inextricable from other complaints about how we live now. Why do the Yankees have four times the payroll of the Orioles? Why do all the big movies involve superheroes? Why does a state legislator rage about national policies instead of potholes? Everyone is nostalgic, in some aspect of life, for a country less nationalized and winner-take-all.

JPMorgan is an easy target for our mood. It's the biggest bank, so it gets the most attention. Bank of America is probably grateful for the shade. JPMorgan is heavily regulated, so public officials can call it to task. Alexandria Ocasio-Cortez doesn't ask Bob Iger to defend *Deadpool 3*.

But we can't deny the history, or facts. JPMorgan is not a benevolent despot. No bank is. JPMorgan could fade to nothing, and other banks would fill the void. Other banks want to fill the void. JPMorgan was also not on a road to becoming the far-largest, most-respected bank 20 years ago. It achieved that position by being well run and gaining customers in the marketplace. It did so by being cautious and taking on less risk. The industry would be quite different today — quite possibly worse — had Jamie Dimon built something different by taking the job selling nails.

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Featuring Steve Bannon, Stephen Miller, and maybe even Tucker Carlson.

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Someone should tell him Jesus Christ dressed that way too.

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He might be out of Congress, but the high drama over his successor is only beginning.