

GUEST: RICHARD PARSONS 1

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Join us next for part one of a interview with University of Hawaii Manoa alumnus Richard Parsons, chairman of CITIGROUP.

New York native Richard Parsons came to Hawaii at age 16 to receive a college education at the University of Hawaii at Manoa. He would become became one of the most prominent figures in the business world and an advisor to five American Presidents, Republican and Democrat. At the time of this taping, in April of 2009, Richard Parsons was just a couple of months into a new job as chairman of the troubled financial services giant CITIGROUP. As busy as he was during the economic turmoil of the time, Richard Parsons returned to the UH Manoa for a week as promised...as the awardee of the 2009 Dan and Maggie Inouye Chair in Democratic Ideals. In this first part of a two-part conversation, we'll start with Parsons' upbringing. His middle-class African-American parents moved the family from Brooklyn to Queens and made it clear that a good education and good grades were building blocks of the American dream.

Uh, I didn't consider rebelling, because, you know, parents and people have a way of um ... of letting you know what's non-negotiable, right? If you—if—if a kid senses a crack or senses a weakness or a pause and says, Can I do this?, and you go, Well, I don't think it's right, or something, then they're all over you. If it's non-negotiable, you might as well move on, because you're not gonna move 'em. So this was a non-negotiable subject.

You were expected to go on to college. Had your mother or your father at that time been to college?

Both.

Both?

Both. My mother hadn't graduated; my father had. But both had been to college, and he—he really—and both of them sort of appreciated the

importance of education.

And how far were you expected to go with your life?

Well, that's a good question. I'm not—I'm not sure I can really answer. I think that what they would say, were they still here, well ... they would hope that you would go as far as your potential would take you.

And did you have an early sign of your potential, where you would go, or how you would get there?

Um, that's a debatable subject, you know. I—I uh, I came back uh, on this trip and I had a birthday; I had a birthday couple days ago. And uh, I saw my old fraternity brothers ... got together to do this birthday party for me. And several of them, I hadn't seen for forty years, right? And one of them said to me, Jeez, I had no idea that uh, that—that you were smart, and that you would go this far. And the other one—another one of my fraternity brothers, without missing a beat, said, Oh, Rich isn't smart, he's just uh, you know, he just doesn't ... piss people off.

Ah, but I've heard—um, I think it was a former next door neighbor of yours uh, who came along later in your life, and he said, People—uh, he said you uh, actually liked people to underestimate you, and you—you work at it.

Uh, I don't have to work at it; they just seem to. So if that was a sign of potential, maybe yes. Um, I did okay in school. I did okay in school, but—

I mean, you—you're smart.

I was clever enough. But I was not—for example, I was not the smartest kid on my—on my block. And I certainly wasn't the smartest kid in our school.

And yet, later, you would be, I think, one of thirty-six hundred law school grads applying for the New York State Bar, and you would score the highest number?

Well, that was a—that was a fallow year.

See, you underestimate yourself. Or you want me to underestimate you, right?

[chuckle] Okay; so you're—you're growing up um, with parents who—who expect you to do well and get—

M-hm.

--get educated.

M-hm.

Um, so um, actually, you went through school quickly, didn't you?

M-hm.

Well, by the—were you living in a rough area, or was it the suburbs?

Well, I was born in um, in Bedford-Stuyvesant section of Brooklyn. And that was pretty rough—I think that's one of the reasons my father moved the family. It just was getting not better, it was getting worse in the 50s. Uh, and then we moved to an area, uh, which at the time, as I said, was almost bucolic in terms of its rural splendors, but over time, um... became in a sense, um, uh, a somewhat rougher area, so that for example, the junior high school I went to was considered one of the worst in the city by the time I got to junior high school, because it had gotten violent. So it was—it was uh, it was the city, you know, it was urban America.

How did you navigate that? Did you get into fights?

I did, until I realized I wasn't very good at it. I must have lost fifty fights by the time I was in the sixth grade, so I thought—

These are fistfights?

Yeah; so I thought, there has to be a better way, right?

What's that?

Well, you learn to um... y—you learn to deal with people in—in an non-confrontational fashion or format. I mean, there's always—there—there is—at least it's been my experience, almost always an alternative to fighting.

So if a guy wants to hijack your lunch money, or just wants to fight you just because you—

You know, you were there, weren't you?

[chuckle]

They used to do that. You know, you'd come out of the lunchroom, and you'd have the change on you; they'd take your lunch and your—there are some times when—when—when, you know, you have stand up to a bully. But frequently, um, you can use other techniques to get where you need to go.

For example, how do you diffuse a bully's—uh, or uh, a—a fight—

Humor is—

--situation?

Humor is one way.

Well, you can't make fun of the guy who's—

No, no, you—

--challenging you.

You can't make fun of him, but you can make fun of other things, where you can get people—you can get people to change their um, attitude, to change their approach, to change their sense of wellbeing.

How did you do it? Give me an example.

I'll give you two; 'cause there are two different techniques. One was ... to self-effacing humor, or a self-deprecating humor, can frequently um, disarm somebody. Fre—a lot of times—I mean, there are bullies in the world, but most people um, fight for defensive reasons, not for offensive reasons. They—they feel cornered, or they feel uh, insulted, or they feel sort of that they've been confronted and have to defend themselves. Um, another thing that—that turned out to be um, very beneficial, when I was in high school I learned, that ... you know, I went to school in a place where—where smart kids were frequently picked on. I mean, it was not... it—it wasn't a cool thing to do well in school. Uh, but if you were an athlete, right?

M-hm.

If you played on any of the sports teams, and particularly if you played on the basketball team—'cause we had a good basketball team, then the—the real toughs in the school would protect you, because you were part of the team, right? We gotta—

M-hm.

--stand up for the team. So I played basketball, and that—that was sort of a

pass through high school, because nobody could pick on the basketball guys, or some really bad operators would come and upset your day.

Well, y—were you six-feet-four in high school?

Yeah, I was.

And were you a naturally talented athlete, or did you have to work at it?

Had to work at it. I had to work at it. Um, it turned out I, uh, I actually wasn't all that talented uh, in the [INDISTINCT] time, I learned. I thought I was when I was in high school, but—but I had to work at it. But I did; I played a lot of ball.

Richard Parsons graduated from high school at the age of 16. He had dreamed of attending Princeton University since the 7th grade but the combination of financial constraints and wanting to break free of home led to his enrollment at the University of Hawaii in 1964.

And as a lark, I applied to University of Hawaii, because um, I sat next to a gal from Hawaii in my junior year in physics course, and she was the cutest thing I'd ever seen in my life. And I thought, There must be a University of Hawaii. To be honest with you, I didn't even really know there—wa—was certain if there was one. But I said, There must be. So I put it down on the SATs as my third choice. Uh, long story short; I got wait-listed in Princeton, uh, which meant I wasn't gonna get in any financial assistance even if I got in. I got into CCNY, but it was really time to leave home, it was time to go away.

M-hm.

And I got into Hawaii, and so I came out here.

And how did you pay for college?

Uh, I worked. My first year, I worked at the Pacific Biomedical Research Center. I don't even know if it's still out here. Basically, after school, washing test tubes and stuff; and then I had a night job at the Primo Brewery. You know, watching—in those days, they recycled the bottles, and you had to watch 'em on the assembly line to make sure that there was nothing in them as they sort of came through. Pull them off if there was. And then um, my sophomore and junior year, I worked at Mark—a place called Mark's Center Garage, downtown.

Just—

I was uh ... first, I parked cars, and then I was the night manager. And then my senior year, I worked for Honolulu Gas Company, putting in gas pipes out in Hawaii Kai.

But you were also on the basketball team.

Yeah.

How'd you do all that?

Well, something had to come up short, right?

Yes.

Turned out—

[chuckle]

Turned out to be school. So I was not—I was—I was not ... I didn't make my mother proud, I'll put it that way, in terms of the grades I got while I was out here.

And you were a history major?

Yeah; I started out as a physics major. But um ... but that required more time and attention than ... all these other activities afforded me.

M-hm.

So I became a history major.

Did you take anything from here that has um, stood the test of time in terms of values, people?

All of these... um, experiences are—are—are platforms for whatever you go on to next, right? And I think that uh, you find... most successful people um, they didn't just go from nowhere to being hugely successful. It's a step process, and they have—they have prior su—success platforms. And for me, Hawaii became one. Uh, not only 'cause I got an education here, but because um, as you indicated, I was pretty young when I got out here, and I was very much on my own. And um, I survived. You know, I made it.

And very different culture.

Uh—

Expensive place to live.

It was different. It took me about a year to make the adjustment to Hawaii from New York. But once I did, um, probably the last three years of college were among the best years of my life. I really enjoyed Hawaii, I enjoyed the culture, and even though I did not knock the ball out of the park in school here, uh, I got through school, and I got through life, and I supported myself, and I ... I made it. And ... that was—that was um, confidence instilling, that was something that for the rest of my life, um ... I never had to really stop and think about, well, can I do this, or—or—or what could happen to me if I fail, because I believed in myself.

What was the hardest thing about that first year?

Loneliness.

M-hm.

Loneliness. Um, it was my first time, really, away from home. Not—you know, I'd gone to camp for two weeks, or I'd go see—visit my grandmother in Virginia, but usually that was with family. Uh, this was the first time that I was out from under family, and friends, and relatives, and everything that was familiar to me back in New York. And uh ... I did okay in the fall semester, 'cause there was basketball, right? So the basketball team became my extended family and my friends.

M-hm.

But after basketball season, uh, I got lonely. And so that was—that was an adjustment.

Did you find this an open society? Did people let you in?

That's a good question. Um ... it's a friendly society, but it—it isn't—it isn't necessarily as welcoming um ... as the tourist brochures suggest. It's different. And—and—and once you accommodate those differences, or at least are

aware of those differences, then people let you in. But ... but it isn't as though they come up to you on the street and drag you and say, Come with me, let me show you how to be a part of Hawaii. You have to find your way in.

How did you find that way?

Uh, ultimately, I sort of stopped resisting; that's always the first step, right? You stop trying to pretend that this is still New York, or ... and you—you acknowledge that there are some difference, and then you kind of give in to the ... aloha spirit. And for me, I ended up uh, joining a local fraternity, um ... making a lot of local friends. Most of the guys on the basketball team were not from Hawaii.

M-hm.

Uh, they were from other parts on the mainland. And so it was—it was a kind of a cloistered community.

M-hm.

And so I sort of had to give that up, and go local. And when I did, everything clicked.

Were you um—okay, we have a stereotypic New York, right? Loud and aggressive—

Whoa.

Were you that way?

Whoa.

[chuckle]

Whoa. I—

You can say stereotypes about—

I regard myself—

--Hawaii, and I can deny them.

--as the stereotypical New Yorker. Relatively sophisticated, urbane, witty, and ... charming.

And that's how you always were, even in beginning of college? [chuckle]

Yeah, actually, true. I'm—you know, the one thing most of the people who've known me for many, many years, going back to high school, but certainly in college would say, Jeez, you haven't changed; you've gotten older, a little balder and fatter, but basically—

[chuckle]

--you're still you.

Y—your friends seem to speak really frankly with you.

Yeah, well, they do, they do, they do.

You know, um, one of your friends has said that you're very smooth, and you're—you're a diplomat, you're a charmer, but you've got a killer instinct.

Now, I bet you had it in basketball, and I'll be you have it in business.

What I would say is that I'm competitive, as opposed to killer instinct. That sounds too much like uh, the kid who lost too many fights when he was—

M-hm.

--in grade school. I'm competitive; I don't like to lose. Now, what's interesting is—'cause I've—I've thought about this a lot. I don't mind um, if everybody

wins, right, if we all get to the finish line simultaneously and we're all winners. But I just don't like to lose.

At the UH Manoa, Richard Parsons met his future wife, Laura, and Rainbow Warrior basketball coach Red Rocha.

I think I was frustrating to him. 'Cause I had talent, um ... but I was young. And I hadn't—I hadn't fully grown into my own body, and I hadn't developed the—the sort of discipline and—and ... focus and sense of real purpose that uh, a coach like Red requires, you know. I was still goofing off, right? You know.

M-hm.

And so whenever I'd get into goofing off, boy, he'd get on me. But he was—he was a good man. He was—he was sort of like almost ... the father figure. I didn't realize this until many years later, but—but when you're young and you sort of pull yourself away from the family and throw yourself out into the world, the team became like my family, and—

M-hm.

--and Red became the father figure. So he certainly took to the role, yelling and screaming—

[chuckle]

--and carrying on.

[chuckle] Um, well, you also had another kind of figure; you—you met your—the woman who would become your wife here.

M-hm, m-hm. That was another part of the transition to uh, um ... this becoming a place that—for which I have the fondest memories. I met my wife in my—my sophomore year. We were in an English class together, and you know, we dated ... um, pretty steadily for our sophomore year. We then kinda broke up ... 'cause she went back home, um, and I didn't that summer. And when she came back in our junior year, we sort of dated off and on, but we didn't really um, get back together seriously 'til my senior year. And then at the end of my senior year, we got married.

Young again; still young.

Very.

How old were you?

Twenty.

Twenty years old. And she's from Oklahoma, you're from New York, and you meet and marry in Hawaii?

M-hm.

Where'd you get married?

We got married right down the block at uh, the ... church. Um—

Church of the Crossroads, in Manoa?

Yeah. Right down the block.

My parents did too. So—so now you've graduated, and uh ... actually, you didn't graduate—

No.

--did you, from the UH?

No, I was six credits shy at the end of my ... four years. And I was supposed to go to summer school to get those six credits, but I just um—other things came up, and I never got around to it. I'd applied to and gotten admitted to law school in—back in New York. And [CLEARS THROAT] I found out ... on the way to signing up for those two classes that summer, to finish up, that I didn't really need to; that—that I ... got what was called the law school qualifying certificate, 'cause I had enough college credits and I'd done well enough on the LSATs and all that sort of thing, that I could just go off and go to law school. So instead of um, instead of going to summer school, I worked. Law school was—was relatively easy for me. Because the law um ... the laws are purely—particularly in those days, almost a purely logical exercise. It's built on, you know, eight or nine hundred years of sort of human experience built around a few simple rules. And it turned out that—that apparently, my brain works the same way that um ... that human experience over time works.

M-m.

And so I didn't have to—I—I just knew the answers. And so I did very well in law school, without having to work too, too hard.

And you worked hard on the side; you were a janitor part of the time, right, to pay—

Yeah, that was my—

--your way through.

That was my first job in the law. I was a—I used to clean up the law school after everybody went home.

Wow. Humbling experience?

Well, you know, humbling—uh, you know, it was a job. My mother always told me, All work has dignity. So I didn't—in fact, my to this day best friend—that's where I met him. He and I were—we worked in the bookstore uh, initially, and then we—we talked the sup—the superintendent of the building—

Ah.

--the law school building into letting us work part-time as janitors at night, 'cause we needed the money.

Immediately following law school, in 1971, Richard Parsons was offered the job of assistant counsel to then-New York Governor Nelson Rockefeller. He continued as a much-trusted advisor when Rockefeller was appointed Vice-President to President Gerald Ford.

I didn't know Nelson Rockefeller as a—as a ... political figure. Um ... and I liked him; I liked him. But no, I didn't consider myself a Democrat or a Republican. I was—you know, I was a guy who needed a job. Uh, over time, um ... I found out that I—I—I agreed with a lot of his political philosophy and leanings, and I would still call myself a Rockefeller Republican. There aren't many of us left.

What is a Rockefeller Republican?

Well, I think a Rockefeller Republican is somebody that's—uh, who is more conservative on fiscal matters, um , but understands that government has a role in terms of making lives better for people. So many people call that social liberalism and fiscal conservatism.

Now, in—in all this time we've been talking about your um, early experiences, you haven't once mentioned racism.

Nope.

Did—have you experienced it?

Yeah. But uh, but ... certainly not in um ... in its most virulent form. You know, I was born in the North, not in the South, uh, back in the 40s and 50s, and early 60s when—when uh ... and I know this because my grandmother lived in the South, and we'd go visit with her in the summertime, when life as very different in the South for Blacks. Uh, in the North, it was ... not easy, but it was not so stark, right? And then secondly, um ... you know, I went to school in Hawaii, right, undergraduate school, and that was—uh, this was, at least in those respects, a more tolerant, open, embracing, and—and—and—and less stratified society. Still is. Uh, and then I got married, and my wife is White; and so we wondered a little bit when we went back to New York in 1968, right, uh, as an interracial couple. But I think in part because of our respective personalities, it just never bit. Um, you know, all those skills that one developed as a kid trying to avoid fights paid off, in a way that I wouldn't have not—would not have inte—in—in ... te—uh, expected.

Same principles apply?

Yeah. I mean, you know, it's—it's how you approach people. If you can—if you can disarm them, right, if you can cause them not to feel threatened, not to feel defensive, not to feel challenged, um—

Sounds like you don't take offense easily.

I don't. I don't. Because—

You just let it pass?

Because y—you know, what happens is, first of all, most things aren't intended.

M-hm.

--um ... at a personal level. Mostly—and uh, I didn't, by the way, realize much of this until I had my own children, and I saw in my son—my son is—is probably the world's most secure, at least he was—you get older, some of it gets chipped off—but the most secure kid. He just assumed that uh, he was going to be accepted.

M-hm.

Even as like a one-year-old, one-and-a-half-year-old, we'd let him out in the yard, and other kids would be out there, and he'd just wade in as if, you know, I'm here, right? You know, who isn't gonna accept me? And—and so he had no kind of defensive chip on his shoulder that he had to defend. And then secondly, he—he was secure enough to almost mold himself to whatever circumstance that he had to, to accommodate somebody else's peculiarities

or—or—or—or—or vulnerabilities, so that he made other people feel like they didn't have to be defensive either. And I watched him, and I realized that I have some of those skills.

Of course, when the racism is deliberate, I mean, it is racism.

M-hm.

It's not uh ... ignorance or misinformation about what's going on, it's you know, I'm focusing my racism upon you. That—y—you can't slip away from that very—

No—

--easily.

--you can't. You can't. That doesn't happen nearly as much as people think it happens. Um, there is such a thing in America that I call structural racism. Um, it's just—it—it—it sits behind the consciousness. People have—they've been—they've been raised with, and they've been reinforced by their experiences in life. They have ... understandings um, and perceptions about people who are different than them. And that's just a reality of life. That—again, that too isn't intended as personal. I actually—I had an experience once uh, when I was ... this was years after I left Hawaii, when I was in a law firm, I was a hiring partner, and I was talking to one of my pals who was on the hiring committee, and who was complaining about the fact that ... that—that, you know, we weren't hiring um, a certain kind of person. Because we—I'd made a big deal about being diverse, and we started recruiting at—at—at you know, uh, historically Black colleges and universities for lawyers, we started hiring a lot of women, and he ... said to me once, um, he said, You know, well, but—but like I introduced so-and-so, and he's uh, he's the kind of person—you know, he's the kind of person we need to hire, 'cause that's what our client is looking for; you know, he's six-foot-two and he's blond-haired and blue-eyed. And he looked right at me, he said, A real White man. And then he caught himself, and he went—he said—he said—[GASP], he said, I didn't mean that the way it sounded. 'Cause you know, this was a pal. But what he was reflecting was a deep seated perception of the—the way the world is supposed to work. And that—that exists—probably always will, but you can't let that—it's—that's not the sort of overt racism that you were talking about, but it's—it's every bit as pernicious. But you can't let that uh, embitter you or cause you to um ... take on more of a burden than you need to, to get to where you want to go. Right? You just gotta ... it—it's like a boulder in the middle of the path; you just gotta figure out how you're gonna get around that.

And at that time, you were the hiring partner, so you were in the catbird seat anyway.

Yeah; right. I mean, most of these things, uh, uh, I—I—I think, to the extent of about eighty percent ... people bring a lot of this on themselves, things that they could negotiate around, if they were—if they put themselves in the right mindset to do it.

M-hm.

Now, every once in a while, you do have to do stand and fight. And when you do ... I don't like to lose that either.

Have you done that? Have you stood up to racism?

Yeah. You know. But you know, I haven't—I haven't punched anybody. But I haven't had to punch anybody. But you—sometimes you just have to ... do what you gotta do, as they say.

Join us next time on Long Story Short for more conversation with Richard Parsons who reached the highest ranks of corporate power.

I'm Leslie Wilcox of PBS Hawaii. A hui hou kakou.

GUEST: RICHARD PARSONS 2

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My strategy is—it's sort of been this way every time I had to do one of these turnarounds; you put your head down and you put one foot in front of the other, and you try not to be too distracted by uh, the noise and the dust in the air, and the sturm and the drum. You set your course; and when you get there, then people say, Oh, oh, okay, that problem's fixed, and they move on.

Up next on Long Story Short, more of my conversation with University of Hawaii Manoa alumnus and Citigroup chairman Richard Parsons.

We continue part 2 of our conversation with Citigroup Chairman Richard Parsons, which was recorded on April 8, 2009. Awarded the 2009 Dan and Maggie Inouye Distinguished Chair in Democratic Ideals, Parsons took a break from his demanding new job in a global financial crisis to share with local students. Parsons is a native New Yorker who majored in history at the UH Manoa, earned a law degree at the Union University's Albany Law School, and was hired as assistant counsel to then-New York Governor Nelson Rockefeller.

We pick up Richard Parsons' story with his first step from law into the financial sector. In 1988 he was named chief operating officer of the Dime Savings Bank of New York. Of all people to question his qualifications—his own children.

I had been representing this bank as a lawyer for a number of years, and I'd gotten very close to the then chairman. And he had a plan to retire in a couple years. And—and people get very proprietary about ... their banks, and so this was like his baby. And he ... was not happy with the uh, the internal candidates to whom he could hand over the baton when he was ready to go, and so he recruited me, because he believed in me. And I went home after this was all done, and I announced this ... to my children, my three children, um ... at dinner. I said, Well, you know, you're gonna hear about this anyway, so I just want you to know that ... on Monday, I'm leaving the law firm and I'm—I'm—I'm going to the—to the Dime as the president of the bank. At which point, both my daughters dropped their silverware and the oldest one, whose name is Leslie—

[chuckle]

--and the curious one—she looked at me and she said, What do you know

about banking?

[chuckle]

And the other—the youngest one, who was then about ten—

M-hm.

--said, Yeah, and you don't know anything about banking, and you can't just start as president, you have to start as like a teller.

[chuckle]

So they got all over me; they climbed all over me, until they found out that their mother was onboard. And if Mom was okay with it, then it probably was okay.

Mom must know something.

That's exactly right. They looked—you know, Has he talked to you about this?—

[chuckle]

--they said to their mother. And once she said it was okay, then it was okay.

But you weren't being handed this uh, gilded president. Your—your bank—your savings and loan—

Well, it turned out—

--was millions in the red.

Well, it turned—not—not at the—not when I accepted the job. But it turned out that—you know, I went to the Dime in the middle of '88. And by the end of '88, beginning of '89, the thrift crisis was on fulltime. And we um ... and as one of the biggest thrifts in America, um, we had our share of problems. It was a—it was a barn burner for a number of years. But we made it.

And you did turn it around.

Yeah, we did; we did.

But you did get out of the—the—the financial institution business at that point?

Yeah. Um, I was ... chairman and CEO of the bank from '90 to '95. And uh, in that time, I had gone on the board of Time Warner, when uh, the old Time, Inc. m—merged with Warner to make Warner Communications. Um ... they took, oh, a dozen people from the old Time board and a dozen people from the Warner Communications board, and in those days it was thought to be proper to have an odd number, in case you ever had a tie or something like that. So I was the first director brought in by the new—newly merged company. And I was on that board for four years, when uh, the guy who—who succeeded Steve Ross, whose name was Jerry Levin, was looking for a president, and he asked me if I wanted to come over and—and be the president of the company. And I thought about it, 'cause we had just—we had just turned the Dime around, we were really flying, we'd done a big merger um, and we were looking at some other things, and we were really on a path to become maybe the largest consumer bank in—in ... in the city, including all the big commercials. But ... but the Dime was, A, the financial services sector, which is—is interesting, uh, and important ... but maybe not as much fun as some other areas. But more importantly, it was a regional bank; it was New York, New Jersey, and Connecticut. And Time Warner was a global company, and—

M-m.

--I always had an interest in sort of global things. And so I did. And I didn't know anything about media and entertainment either at the time.

Okay. Um, when uh, when you and Steve Case were both at the top of uh, Time Warner—

M-m.

--people here were very proud, and we figured, oh, must be the Hawaii connection.

Yeah. It's uh, it was a Hawaiian thing; right.

Was it?

Well, no, not really. It was—it was serendipity, but we came together uh, more because of ... the merger of AOL and Time Warner. Um, and then working together as colleagues for a number of years, uh—

And not always the friendliest of colleagues.

I wouldn't say—you know, we were always sort of friendly, but we butted heads quite a bit. When—when Steve was chairman of the company, and I was the uh, CEO ... you know, h—he—he and I came from different places. You know, Steve—Steve was a new media guy, and I was a sort of old media guy. And ... and [CLEARS THROAT] while we saw the big picture, perhaps similarly, how to get from where we were ... to where we wanted to go, we had different points of view.

And that was uncharted territory.

True. And that's—and that's really where you can have different points of view. I mean, if—if—if—if the path is clear or has been blazed before, it's relatively easy to pick up the markers. But when—when you don't know, and you're trying to make it up as you go along, that's when people can come out in very different places. And Steve—you know, Steve is an entrepreneur par excellence. You know, he built a hell of a company, um, and he did it ... out of vision, courage, and determination. Um ... I am—I'm much less an entrepreneur, and more what I call a professional manager. Um, you know, Steve took a small and hardy band, and kind of took them through the woods to a new place and created a new business. But at some point in time, a thing becomes very large and very institutional, and you can't run it in the same way—

M-hm.

--um, out of your sort of hip pocket, so to speak. You have to put in um, structures, and—and—and ... process and procedures, and to some extent some bureaucracy if you're gonna run a company that's got a hundred thousand employees scattered all the way around—all around the world. And so a lot of our differences came—sprung up out of how do you manage this now, not small group of insurgents, but large group of, you know, sort of entrenched defenders of the status quo. Uh, and I think at—at a point in time,

Steve realized that he got more enjoyment out of it, and it was better suited for the entrepreneurial role; so he left and went back and created something called Revolution Companies now, and he's off starting new companies again and doing what he's really quite good at, which is being an entrepreneur.

Parsons had stepped down as CEO of Time Warner in 2007 and as Time Warner's chairman in late 2008. He made plans to enjoy the wine produced by his vineyard in Italy and contemplate what to do next with his life. But the global financial crisis intervened and in February 2009 he was prevailed upon to become chairman of the beleaguered financial giant CITIGROUP.

Reluctantly, reluctantly I—I concluded sometime ago that—that ... that I was actually pretty good at dealing with um ... crisis management, I'll call it; companies in difficulty. Because it's um, it's—it—it's to some extent, exhilarating, and it—it suits my personal style. Things for me sort of—it's almost like time slows down. I don't get—I don't ... get panicked, and I can get focused on uh, what needs to be fixed. It's like, you know, if the boat is sinking ... you need to get everybody down to where the hole is, and plug that hole up.

You like really high stakes.

Right. As opposed to worrying about what tonight's menu is in the captain's dining room. Um ... it does; it concentrates your mind, and it—and it—and it—it—it yields to problem solving, and I'm a good problem solver.

Uh, someone who knows you well says you do very well in that place where government and business meet.

M-hm.

And in—in this case, Citigroup has had, what, two bailouts already by the government?

Well, uh, bailout is a—is uh, is a somewhat elusive term; but three, to be specific. I mean, uh, Citi got uh, the original—like twenty-five billion dollars in the original sort of injection of TARP monies into, I think, the top million banks in America. And then we got another twenty ... billion, and we have a uh, an insurance program that wraps around some of the bad assets uh, on the balance sheets. So ... Citi's been a big beneficiary—

M-hm.

--of government assistance. Although, it's important for people to know that this isn't—you know, it's not like somebody just gave you the money. These are investments, and assuming we get this thing turned around, which I believe we will, the government will get its money back, and the taxpayers will get their money back with a very healthy return. There are assets on the books which we—we refer to as the sort of legacy assets, the old assets that need to be worked out. But underneath the—the current sort of clouds and—and turmoil uh, surrounding what's it's gonna cost you to work out of the legacy assets, the fran—the basic franchise is still strong and viable. Citi is the most globally uh, embedded bank in the world. It's got the biggest and strongest international

franchise than any—of any bank in the world. It's got great brand, uh, good people, um, and terrific positioning. And so I think, you know, we've got a—we've got a challenge of working through all those legacy assets, and you know, absorbing whatever that costs us, and putting that behind us, but going forward as still a very strong, vibrant, and highly profitable bank.

And you like the idea of the problem solving?

Yeah; I do. I do. It keeps you focused.

And it—and uh, and you do your problem solving with a lot of connections in government, both um, Republican and Democratic administrations, you've—you have had friends and dealings with—close dealings with.

Yeah; I—I ... I think I've worked for, in one way, shape, or form, um ... every president uh, from Ford on, except for Jimmy Carter, who I didn't work for. But I worked for Reagan, and ... Bush 41, as he was known, George Herbert Walker Bush, and Bill Clinton, and Bush 43, George W. Bush.

And you were a transition member of—of the uh, Obama uh, cabinet in—in the making.

M-hm.

You switched along the way; Republican—

Well—

--Democrat.

No, I never switched. I am what I am. But—but for example, um, whe—once Mr. Obama became the president elect, I mean, he's gonna be the president. It doesn't matter whether you're a Republican or a Democrat, or an Independent; he is gonna be the next president of the United States. And so if you have an ability to make a contribution, um ... and he certainly was—was reaching out for people, not just from the other side of the aisle, but from business. Um, I was privileged to be able to participate.

And you haven't agreed with him along the way?

I agree with a lot of what he's doing; I haven't agreed with everything. But I don't agree with—uh, I don't agree with everything anybody says.

Former senior government regulator and author William Black makes a case that greed and incompetence are to blame for the financial collapse that hit hard starting in 2008. Who does Richard Parsons believe should be held accountable for the collapse?

Uh, and there are a lot of people around who want to sort of simplify this whole thing, uh, so that we can identify a villain, and then you know, feel better after we drag the villains out into the public square and execute them, and then somehow, um, thing will be better. But it's—it's actually a far more complicated problem than that. Um ... and you know, it reminds me of the old Walt Kelly line in—in—in—in the cartoon Pogo; you know, We have met the enemy, and he is us. Everybody bears some part of the blame here, that everybody was a part of

it, starting with the Congress which encouraged what is now looked at as uh, irresponsible lending. The governmental sponsored enterprises, Fannie Mae, Freddie Mac, which sort of reduced underwriting standards to bank which made loans based on uh, a notion that somehow if real property prices kept going up, you didn't have to have such a strong borrower, the real property would take you out of it, to people who came in and borrowed money um, to buy houses they couldn't afford, or to put home equity loans on their existing houses so they could take their equity out and buy cars or boats, or ... you know, jewelry. I mean, America participated in this—in this ... inflation of this uh, this—this balloon that's just popped, and ... and the way we're gonna have to get out of it is all of those things are gonna have to kind of revert to the norm. Um, and it's not gonna be by sort of fining a few people and saying, Well, it's all your fault, you guys did this to us, and uh, and we're gonna exact uh, or extract uh, our—our—our pound of—of vengeance or ...

The—the George W. Bush administration uh, deregulated uh, much of this.

What—

M-hm.

--kind of regulation do you think now needs to be instituted?

You know, that's—you know, you put your finger on one of the causative factors; but only one. There—there are a number. Um, the regulatory ... establishment ... failed to anticipate and regulate certain things that turned out to be really systemically very important. And so I think that—that kind of new vitality is going to have to be breathed into that sector, um, and ... from a different perspective. In other words, one of the reasons that the government ... is working furiously to uh, prop up the banks is because you can't get the economy started again unless the banks do their job. Banks are—in a free market economy, banks uh, sit next to the heartbeat of—of—of—of the nation. If banks don't intermediate, if they don't collect deposits from places where people who have excess funds can put their money into a bank, aggregate them, and then lend them out in the form of credit to people who are trying to build businesses, keep businesses going, send their kids to school, buy houses, do all the things that—that—that you need credit for ... it kind of is just gonna sort of sit at the bottom of the ocean. So they need the banks um, functioning, and functioning properly. And there's this whole notion of sort of, we're too big to fail a systemic risk. If—if something is so significant to the system, that if it goes down and pulls the system down with it, well then, almost by definition, that needs to have some regulatory purview put on it, it needs to be under some regulatory microscope or telescope so that you understand how things that are systemically important are contributing or detracting from the system. And we had holes in our net, we had—we had people doing things—uh, there's this thing called credit default swaps, where companies like AIG, much in the news now, were essentially insuring financial instruments um ... into the hundreds of billions, indeed trillions of dollars in nominal value, and nobody was looking at it. Nobody was aware of how much of this stuff there was, um, who it was being

given to ... what it was based on. And now, why is the government bailing out AIG, because if they let that go down, it's a threat to the entire financial system. And if the fina—entire financial system goes down, then we have zero chance of reviving the economy.

So it's really hard to—to do uh, a soundbite explaining what's happened, and people are very suspicious, and they look at uh—now that—now you're the face of uh—

Oh, my goodness.

--a huge corporation that's had, as you say, three bailouts. So ... what's your um, what's your strategy?

We gotta stabilize the balance sheet; in other words, make it clear that—that we have enough capital to function like a bank is supposed to function. And that—that we're not going to be ... upended or turned upside down because the losses that are embedded in the portfolio are greater than the amount of capital we have to sustain those losses. That's number one. Number two, we've gotta work our way through those bad assets as quickly ... and cost effectively as we can. So you keep the expenses down, but you move the stuff out so you can make room for good assets. And then three, you gotta keep the rest of the people focused on driving the good business forward. Because you can't take the entire focus and sort of say, we've gotta clean up the legacy assets and clean up the past assets. You know, it's a fast moving world, it's a dynamic world; we need to be a part of it, and we need to generate revenues to the good parts of the bank that'll help offset some of the losses on the bad part.

So how much do you owe the government with these three bailouts?

Well, the government has invested ... forty-five billion dollars uh, in Citi. They own uh, as a result of that investment, um, some common stock, and some preferred stock. Um, and as I said, we get this thing right, which I think we will, they will get their money back, plus a return. The other thing that the government did was, the government essentially sold us an insurance policy around about thr—uh, around three hundred billion dollars in bad assets. And the way that works is, they say, Well, we'll insure that—you know, there's a deductible, fairly substantial deductible, almost forty billion dollars. And everything under that, we'll take ninety percent of the losses, for which we pay the government seven billion dollars. So um, it's not as if someone has just kind of lent or given the money to Citi; they've made an investment, they've sold us an insurance policy.

And you know, now, the regulation is gonna be, uh, you're gonna be looked at all the time.

Oh, that's for sure. There's no question about that. It's a lot of money. It's a lot of—it's a lot of public money, and—and we're keenly aware of that, and keenly focused on taking the bank to a place where we can repay that investment with, as I say, a good return.

You know, as we speak, this is uh, the fourth month of uh, the Obama

administration, so the economy is still in turmoil. Um, would you make a projection? Can you tell us if you see any clear patches in the cloudy, stormy sky?

Yeah; I ... interesting. I—I don't think we've bottomed out yet. But um, the term—the current term that's in vogue is, you know, are there any green shoots out there, you know.

M-hm.

And I think there are some; I think there are some. I think that uh ... we're starting to see housing bottom out; starting. It's—it's—you know, housing prices are still falling, but buyers are back in the market, money is once again available for home purchase. And that's a good sign. Because the first thing that has to happen is that the housing market has to sort of stabilize and start back. And then ... the next thing that has to happen is the banks have to start lending again. In the normal—not—not uh, super or hyper uh, uh, super heated hyper sense, but they have to start in a routine and normalized sense. And I think when uh, when they finish the stress test that the government is now doing, and they're comfortable that they've capitalized the banks to the extent that they need to be, you'll see that start to happen ... late, let's call it third quarter, so end of summer. And I'm—my anticipation is that things will actually ... start to improve maybe as early as the fourth quarter of this year.

During the period of growing excesses in the financial world, Richard Parsons served on CITIGROUP's board of directors while working as CEO of Time Warner. Did he see the economic collapse coming?

Well, first of all, you know, when you're running uh, a company as big and sort of dynamic and as um ... complex and interesting as Time Warner, you don't have a lot of time to focus on somebody else's business, right? But you did say to yourself—I mean, we all did. I'm sure uh, just ... the average guy on the street said, you know, This is crazy, right? Housing prices are going up ten percent a year, uh, people are—are—are—are—who you know [INDISTINCT] ability to repay a loan are getting loans. And you say, you know ... this balloon's gonna break at some point in time. But none of us ... sort of then sort of stopped and said, Well, it's my job to sort of, you know, be the town crier and run around town and sort of say, Stop, you know, what are we doing? And in fact, what happens is um, everybody becomes a market timer and people say, Well, you know, there's money to be made over there, so I want to be there, and I'll get out right before it's too late. Well—

M-hm.

--that never works, right?

So you're back as a um, top guy at uh, at a financial institution at a time when um, bonuses are a big point of contention.

Ooh.

An—and that—

That's true, isn't it?

And you probably had to deal with that when you negotiated your deal this year.

That's true. You mean my deal, for me?

Your deal; yeah, bonuses, and how do you—

Well—

--pay top talent at Citi Group.

My deal was easy, 'cause I said, uh, Thank you very much, but um, I don't need anymore money. Um—

So you're doing this for free?

Well, essentially. You know, I'm a—I'm a board member, and all the board members get—get—get ... what board members get. But no, when they said, Would you be Chairman ...

H-m.

Uh, you know, uh, I—I have enough problems without taking that one on. The—the question of bonuses, however, is uh, it's a complicated one, because you know, we live in a free market economy, we live in a market where people can evaluate their worth in the marketplace. All right? And so let's take it out of the banks for a minute, and put it into something everybody knows; sports. Um, we have the highest paid player in baseball in New York City, his name is Alex Rodriguez, A-Rod. Now, is A-Rod really worth, I don't know, twenty-five, thirty million dollars a year? Who can say, except that if someone else is gonna give him that, and I want him, that's what I have to pay to get him. Right?

M-m.

In the banking business, you have the same phenomenon. Um, people can—can come and go, and they can work for whoever it is that they choose to work for. We don't have slavery in this country anymore. And so the situation with AIG was, you have literally hundreds of billions of dollars in these very complex CDS instruments that now need to be unwound and straightened out, and the losses need to be minimized. Not everybody can do that. I can't do that, for example. The guy who's running that camera probably can't do that. You maybe able to, but—

Right.

--you're extraordinarily talented. Those people have the option to go elsewhere, and to work for whatever the marketplace will pay them. So they were given retention bonuses. They said, Look, if you stay with us and help us work through this problem, we will pay you at these levels which were levels designed to be high enough to keep them from walking across the street and working for somebody else. That's the way our system works. Now, you know, uh, did Wall Street get carried away with compensation, and now are we at a point on the curve that when you now look at it, you say, Holy mackerel, how did we get here, this is crazy, this is nuts, we have to change it? Yes; we're at that point. But you don't change it overnight, and you don't um ... y—you—

you—you—you don't change it without understanding that we—we live ... and work in a country where the marketplace is what determines the upper levels, and the lower levels, of compensation.

CITIGROUP chairman Richard Parsons is a calm, tough player in the financial world. He relishes the opportunity to manage a crisis. And he hates to lose. So you may be surprised that it's his grandmother's words that come to mind when he's asked about his personal philosophy.

My grandmother once told me that um, that a good man needs to learn how to—two things. One is grace, the other is humility. And uh, it's easier to be in touch with those two things when you've fought the good fight, but you've lost. Sometimes when you fight the good fight and you win, um, grace and humility don't leap to mind right away, and you can be a little boorish and—and um ... egocentric. And those are un ... attractive qualities. I think you can lose ... with grace, and with ... dignity, and with a certain degree of humility if you know you tried your best. You gave it your best shot.

CITIGROUP chairman Richard Parsons says he's giving his best shot at this time-- in 2009--to getting the international financial conglomerate back on track. For Long Story Short and PBS Hawaii, I'm Leslie Wilcox. A hui hou kakou.