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The Safest Bank

By JOE NOCERA

We're counterprogramming today.

This is not another column about the chief executive of JPMorgan Chase, the one and only Jamie Dimon. I mean, what's left to say after his appearance this week before the Senate Banking Committee? With the senators unwilling to ask even mildly probing questions about the trades that cost the bank billions — hoping, no doubt, to be rewarded with JPMorgan campaign contributions — you could practically see Dimon regaining his old swagger with every passing minute.

Instead, let's focus on a bank chief executive devoid of swagger. An executive who doesn't denigrate the importance of regulation. Who has actually come out in favor of the Consumer Financial Protection Bureau. And who doesn't view banks as institutions that should be taking supercharged risks hoping to make supercharged returns for shareholders. I'm talking about Vikram Pandit of Citigroup. The Times's Ben Protess once labeled him the anti-Dimon. Bingo.

Citigroup is 200 years old on Saturday, and when you think about its history, you can't help but focus on the larger-than-life men who have run it. From the late-1960s to the mid-1980s, Citigroup was led by Walter Wriston, one of the great bankers of the modern age. He was followed by John Reed, who as Wriston's protégé practically invented the modern credit card and gave us the A.T.M. As C.E.O., he turned Citigroup into the most powerful consumer bank in the world.

In 1998, Reed agreed to merge Citi with Travelers Group, which was led by Sandy Weill. An insatiable empire-builder, Weill soon pushed Reed aside and presided over the ultimate financial supermarket, a firm that offered insurance, investment banking, stock brokerage, proprietary trading, you name it — and, yes, some banking, too. (Dimon was Weill's protégé.) Under Chuck Prince, Weill's short-lived successor, Citigroup dove headfirst into subprime mortgages and played all kinds of games with its balance sheet. The only thing Prince will ever be remembered for is his pathetic utterance in defense of his bank's insane risk-taking: "As long as the music is playing, you've got to get up and dance."

By the time Pandit was put in charge in 2007, Citigroup was a sprawling, unmanageable mess. And that was before the financial crisis.

One reason Citigroup acts differently than other too-big-to-fail banks is that no bank was so deeply humbled during the dark days of 2008. It didn't need just one round of bailout loans from the

Treasury Department; it needed two. No bank had more "toxic assets" than Citigroup. Indeed, in the aftermath of the crisis, it wasn't answering to shareholders. It was answering to the federal government, which worried about whether it would survive. Inside the Obama White House, a number of the president's economic advisers advocated for winding it down.

Although it took him awhile to chart a course, Pandit eventually segmented the bad assets and has slowly been shedding them. He took much of the serious risk out of the bank's balance sheet. He put aside enormous amounts of money to write off bad loans. And he gradually built up the bank's capital — so that it could survive the next big shock, should it come to that. "Dimon talks about a fortress balance sheet," says Daniel Alpert of Westwood Capital. "But it's really Citi that has the fortress balance sheet."

The kind of risky "portfolio hedging" that caused JPMorgan all that trouble? Citigroup isn't involved. It mostly invests its excess deposits in safe government securities. After Dodd-Frank was passed, it eliminated proprietary trading, not even waiting for the Volcker Rule (which has yet to be instituted). Mainly, Pandit is trying to bring Citi back to its roots as a commercial bank that makes its money the old-fashioned way: by making sound loans, to both consumers and companies.

There are plenty of Wall Street analysts who hate Pandit's approach — after all, Citigroup's stock remains a laggard. Mike Mayo, an analyst with CLSA, told me that he'd "take Jamie over Vikram" any day. Even more sympathetic analysts aren't sure about Pandit's strategy. "I think it is going to be another three to five years before we'll know if it's working," said John McDonald of Sanford C. Bernstein.

And maybe if I were a shareholder, I'd want Pandit to take more risk. But, as a taxpayer, I don't really care whether Citigroup maximizes its return. I care about whether Citi is taking steps to make sure that it is a safe institution operating with the full awareness that it owes something not just to shareholders but to the larger society. Among the things it owes is avoiding the kind of risks that require bailouts. Even if it means lower returns.

Banks, as I've said before, need to become boring again, the way they were before shareholders began expecting double-digit growth as a matter of course. That's the real difference between Jamie Dimon and Vikram Pandit.

Pandit isn't afraid to be boring.