
BlackRock: The secret world power

The US financial crisis may officially be over, but one specter still spooks regulators: shadow banking. In their struggle to exorcise industry demons, one name looms large, BlackRock. Miriam Braun reports from New York.

One name has been haunting Wall Street for years. Still, it remains a mystery to most. Even Heike Buchter admits it only began appearing on her radar recently. "Bankers started talking about [it]. They were analyzing central bank portfolios, and the name Larry Fink kept popping up," the German correspondent, who's been covering Wall Street for more than a decade, told DW.

It stuck with Buchter, who set out to find out all she could about Fink and his financial colossus BlackRock - "one of the world's preeminent asset management firms," as the New York-based corporation boasts on its website.

"Prior to the financial crisis I was not even familiar with the name. But in the years after the Lehman [Brothers] collapse [in 2008], BlackRock appeared everywhere. Everywhere!," Buchter said. On Monday, her 280-page exposé - the first-ever of its kind - appears in German.

Lack of transparency

The author recalls a lunch with an insider. He asked her, only half-jokingly, to speak quietly. He was concerned someone from BlackRock might be hiding in the kitchen, spitting in his soup. Accordingly, she titled the first chapter in her book:

"The most powerful company no one's heard about."

BlackRock manages \$4.7 trillion (4.2 trillion euros) worth of assets. All told, their platforms juggle \$14 trillion - the equivalent of 5 percent of all financial assets worldwide. But BlackRock's reach goes further than just buying and holding stocks and bonds.

"BlackRock advises central banks, financial ministries, big investors like state funds, pension funds, insurance companies and foundations," said Buchter.

Tapping into these bonds and stocks, they invest in firms around the world. "There is pretty much nothing in the financial market that Blackrock is not somehow involved in."

From their unassuming headquarters in Midtown Manhattan, Larry Fink and his managers pull strings all over the world. In addition to holding huge stakes in big US banks, they control significant shares of defense contractors as well as oil- and gas corporations. All funds combined, BlackRock is also the biggest stockholder on the German DAX blue chip market index.

This is not dangerous per se, said Buchter. But, she added, **BlackRock's size of shares does have the potential to tip the scales of power. "These days, owning four, five or six percent of a company's shares means you're a big-wig. You can call anytime and the boss will talk to you. And it's become totally OK to expect that," the journalist said.**

Conflicts of interest

Whether it's producing cars in Germany, mining for iron ore in South America, developing new drugs in the US or gold-mining in Africa - BlackRock's funds profit. But being involved in so many different industries, and in so many different capacities, poses potential conflicts of interests, warns Buchter.

Imagine, for instance, that a company wants to issue bonds, but **BlackRock is not only a potential buyer, it's also already a shareholder. "Who would want to get in trouble with someone, who is not only your biggest stockholders but also potentially your biggest creditor?," pondered Buchert.**

From outcast to investment emperor

BlackRock was born in the late 1980s, as a subsidiary of The Blackstone Group, a multinational private equity firm. Larry Fink was made director and CEO, despite having just all but ruined his reputation on Wall Street after costing his previous employer, investment firm First Boston, \$100 million making incorrect predictions about interest rates.

In her new book, Buchter writes the following about Fink: "The most powerful man of the modern financial world appears to double as his own accountant."

According to her, Larry Fink accomplished something almost unique: "He created his own Wall Street empire in less than three decades," the Wall Street correspondent told DW. "To do that, you need to have a pretty strong ego and tons of ambition."

The Ghostbusters of Wall Street

The collapse of the Lehman Brothers boosted BlackRock's business. Fink and his managers were known specialists in analyzing portfolios of mortgage backed securities. This came in handy at a moment when investors and bankers were trying their best to do damage-control. In no time, the team, working out of a backroom office, became known as the "Ghostbusters of Wall Street," Heike Buchter writes. Soon, they received calls from the Federal Reserve on a regular basis. Then-Secretary of the US treasury, Timothy Geithner, was on a first-name basis with the BlackRock boss.

Buchter doesn't fault the US regulators for Fink's stealth iron grip on the financial world. **"If you only look at the individual businesses BlackRock is involved in,**

you don't necessarily realize there's a problem," she said. "But add them all up - all the [company's] lines of business and advisory roles - and you end up looking at a massively complex structure, where you have to wonder: Wow, what kind of monster have they created here."

Who's doing what?

Heike Buchter's in-depth account shines a light on BlackRock's vast web of influence and interests: From its shares in German companies to its role in the Greek debt crisis. However, she said, her goal was not to point fingers, but to give the public the opportunity to understand what they're up against. For Buchter, BlackRock serves as an example of how the financial industry at large works. "People would like to think that this sector is like most other industries, where you can get a clear picture of who's who, and what's what," Buchert explained. But if there's one thing her research taught her, she added, it's that "the financial system is always changing, it is never in a permanent state. And sometimes it is not quite clear, who is doing what." And that, she reasoned, is what has undermined confidence in the system and made people so angry.

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