A Greater Purpose

**An Interview with Laurence D. Fink,
Chairman and Chief Executive Officer, BlackRock, Inc.**

EDITORS' NOTE *In 1988, Laurence Fink, along with seven other co-founders, started BlackRock, an investment management firm. Fink started his career at First Boston Corporation after graduating from the University of California, Los Angeles (UCLA), and earning an M.B.A. at the UCLA Graduate School of Management in 1976. Fink also serves on the board of trustees of New York University and the NYU Langone Medical Center.*

Laurence D. Fink

COMPANY BRIEF *BlackRock (www.blackrock.com) is a leader in investment management, risk management, and advisory services for institutional and retail clients worldwide. BlackRock offers products that span the risk spectrum to meet clients' needs, including active, enhanced, and index strategies across markets and asset classes. Products are offered in a variety of structures including separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory, and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. Headquartered in New York City, the firm has more than 10,000 employees in 30 countries and a major presence in key global markets, including North and South America, Europe, Asia, Australia, and the Middle East and Africa.*

How is the economy faring today and is the U.S. in a true recovery?

We're in a true recovery from where we were. But, we're not in a recovery in the classical sense of the word.

The disappointing second quarter GDP was a function of the cutbacks caused by the sequester, which is forcing companies to cut back on growth and hiring plans.

The private sector is still growing, although probably a bit slower now that it's being burdened by the sequester. A lot of the slowdown in growth has still come from state and local governments paring back.

So we're not experiencing classical growth scenarios that one might expect after a steep recession.

For example, under all classical scenarios, we should see job creation and increases in wages. In fact, middle class wages have been stagnant.

We are making amends from the excess spending we had over the years and are trying to alleviate some of the deficit financing, and that comes at a cost.

So GDP may be growing, but to the average American, it doesn't feel as good as recoveries used to feel, and people are still tentative about the future.

Do we need to look at unemployment differently going forward?

BlackRock continues to hire. Since 2009, we have added over 2,000 employees worldwide and a lot of them have been in the U.S., so we continue to be a growth story as it relates to employment.

As a country, we have to understand where we lost jobs. We lost millions of jobs in construction where we had excess inventory, principally in residential real estate. We also had displacement of jobs through technology – in fact, we're actually witnessing a sea change in jobs because of technology.

Throughout the past five years, we have also been losing jobs from the public sector on a continuum. State and local governments have been cutting back their payrolls and as men and women retire, they're not being replaced.

Those are three macro shifts: the technology revolution, excess inventory in construction, and the reduction of public payrolls.

At the same time, we have seen immense job creation in the energy field. In states like Pennsylvania, we're seeing a few hundred-thousand new jobs created. Statistics have shown that over a million jobs have been created overall in energy over the past five years.

We are also seeing job creation with a lot of transplants moving manufacturing into the U.S., such as the Siemens of the world, and auto companies building additional factories.

We also have to understand that, over the past 10 years, we have seen the greatest growth of the middle class that the world has ever witnessed. A globalist would say that it has been a fantastic 10 years for those sitting in Japan, Europe, the U.S. or other developed nations. More recently, it looks like the developed countries are doing even better than some of the developing countries.

So we're in a transitional phase where the developed countries are reestablishing their economic power. We're starting to see improvement in Europe, albeit modest. We're seeing a vast improvement in the U.S. from where we were four years ago and we're starting to see an improvement in Japan.

Are the bumps in the road a part of the growth process for the emerging nations?

In some cases, yes. Because of the scale of China's economy, it has a very large influence on the rest of the developing world. The country is still growing north of 7 percent, down from probably 10 or 11 percent, and it has been decelerating.

There are large macro factors as to why it has slowed down. If one expects China to reassert itself to a 10 percent type of growth economy, this is a mistake.

Brazil is a huge beneficiary of the large Chinese economy. With China slowing to 7 percent growth, there has been a much greater slowdown in Brazil.

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On the other hand, there are countries like Mexico that are humming along at 3 to 3.5 percent GDP growth. It continues to be a big beneficiary of its geographic proximity to the U.S., and its modest wages and deep manufacturing workforce. Now, the liberalization of its energy policy, especially as it relates to natural gas, could mean another big opportunity for Mexico.

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You have been quite vocal with regard to the U.S. national savings level. Is the necessary dialogue taking place in terms of the deficits?

In terms of the deficit issues, we have made a huge impact because government created the sequester with the idea that it would never happen, and yet it did.

If you recall the dialogue a year ago, it was more about not harming our economy in the short run and looking at hard cuts in our expenditures in later years. Then they created this concept of the sequester that makes all the cuts on discretionary spending in the early years, never dreaming that it would actually happen; but, it has.

We're now seeing vast cutbacks in military and National Institutes of Health (NIH) grants, so the manufacturers of defense items aren't going to be hiring now; they're going to slow down. Hospitals are not getting NIH grants so they won't be hiring. The list continues.

However, we haven't even begun what I would call a fluid positive dialogue as to how we can truly bring down our deficits.

Government is not impacting the private sector as much as we all feared, so we still have a rising private sector, which has a lot to do with the growth of the energy sector. We have wrung most of the excess inventories out of housing, so we're starting to see an improvement in construction and residential housing, which created jobs and is why we have seen a modest reduction in unemployment.

We haven't even begun to talk about how to manage our deficits and, with our aging population, they will continue to grow.

What challenges exist for the average American trying to save for retirement, and are these challenges being addressed?

The challenge is daunting. If the average consumer starts saving more money for retirement, it has a negative impact on our economy, so it's a balancing act.

Yet, if we don't start addressing the inadequacies of our savings plans and building a nest egg for retirement, there are two outcomes that are visible already: outcome one is that people will have to work longer, which is okay if you live until 90.

As I have told the men and women in Washington, this whole idea about entitlement is not the topic; the topic is how to deal with longevity.

The concept of retirement in your early to mid-60s is based on traditional lifespans. When you start educating the American population that they're going to be living longer and they need to lead more productive lives, that opens the door to a more balanced conversation about social security, and Medicare and Medicaid, because you're going to be working longer.

A negative implication of this – already being seen in Europe – is that those with inadequate retirement savings who are working longer put more pressure on youth unemployment.

The second outcome for those who don't have the appropriate retirement resources is that they're probably going to have to move in with their children.

If you go back to before World War II, most people ultimately had their parents live with them – this goes back hundreds of years. But over the past 75 years, that has changed. The question today is, will it go back to the way it was?

So I don't have happy solutions; we just have to navigate these issues. I believe that it's BlackRock's responsibility to talk about these issues and have a leading voice in the debate.

Why does BlackRock as a firm work so well?

When we left Wall Street, the founders thought that risk management was important and the whole foundation of the firm was based on this. As we built up our enterprise, we believed we had a greater purpose. We've been a firm for 25 years now and we haven't deviated from our beliefs at all.

The consistencies in messaging and in focusing on long-term issues and risk management, have made us successful.

We work to understand the make-up of the world and the markets. BlackRock believes that there is room to have a long-term narrative, while very few other people speak about long-term issues.

We spend less time focusing on the issue du jour. One of my big issues is that business publications and television stations are constantly searching for news because of the nature of the 24/7 news cycles. Unfortunately for them, there is not enough news, so they spend time creating news. They populate news with negativity. Business media is not unlike the weather channel: when there are blue skies, no one watches, but when there is inclement weather of some sort, everyone watches. If you look at the ratings of these media sources when everything is fine, patronage declines. So the media sources focus on fear-mongering.

I've always felt from the day we started that there is a need for a consistent, long-term message on behalf of our clients.

More importantly, we believe that we have a responsibility to protect and enhance our clients' assets, which is not always easy.

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Most people who see market movement and hear Chairman Bernanke change his narrative, and watch the market fall and interest rates rise, get frightened. But the reality is, if you have a 30-year liability, these day-to-day movements don't matter.

So some of it is about reminding people to be more objective-based – not market-times – investors.

You are co-chairing the Partnership for New York City this year with Terry Lundgren. What makes this organization so effective? Are you surprised by how close-knit the business community is in New York?

A high percentage of people in the partnership did not grow up in New York but came to New York because of the opportunity the city provided them.

I grew up in Los Angeles and went to UCLA. New York has been a fabulous environment for me and for so many others who grew up elsewhere.

The New York City Partnership has become a vehicle where business leaders can bring to the table their vast knowledge, their experience, and their resources to ensure that New York remains a good city in which to build businesses.

This is also a personal objective for me, which is why I'm involved in so many organizations in New York. I want to give back because this city has been so powerfully positive for me and my family.

Do you ever stop and reflect on all this company has become?

There are moments when you pause, but then you focus on the problems ahead. You can't rest.

We didn't create BlackRock with the idea we would eventually pause; BlackRock is beyond me and the few founders – it's an enterprise now and we're trying to help clients build better futures. This is a daunting task and if you don't live it every day, you're not going to do the best job on behalf of your clients.

Our clients have entrusted us with their assets because of our history of always putting their interests first, of providing exceptional client service, and of having a deep commitment to investment platforms. But if we ever deviate from doing the right job for them or if we pause too long, they will be unhappy with us. Our job every day is making sure we provide for a better future for our clients and also make sure that this company provides great job opportunities for our more than 10,000 employees. ●