Fiduciary Responsibility

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

Laurence D. Fink

EDITORS' NOTE *Larry Fink and seven partners founded BlackRock in 1988. He was named one of the "World's Most Respected Leaders" by* FORTUNE *in 2016, "CEO of the Decade" by* Financial News *in 2011, and one of the "World's Best CEO's" by* Barron's *for 10 consecutive years. Prior to founding BlackRock, Fink was a member of the Management Committee and a Managing Director of The First Boston Corporation. He earned an M.B.A. with a concentration in real estate from UCLA in 1976 and a B.A. degree in political science from UCLA in 1974.*

COMPANY BRIEF *BlackRock (blackrock.com) is a global leader in investment management, risk management, and advisory services for institutional and retail clients. At June 30, 2016, BlackRock's AUM was $4.890 trillion. BlackRock helps clients around the world meet their goals and overcome challenges with a range of products that include 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®. As of June 30, 2016, the firm had approximately 12,700 employees in more than 30 countries and a major presence in global markets, including North and South America, Europe, Asia, Australia and the Middle East and Africa.*

Where do you see the U.S. economy and what is your outlook for growth in the U.S.?

I think we'll see about 2 percent growth in the U.S. next year. We are seeing strong job growth, and compared to much of Europe, we're in a good place. But growth is still too slow to bring up wages meaningfully, and it's also challenging people's ability to retire and plan for the future.

Fortunately, there does seem to be increasing consensus in Washington that the benefits of extraordinary monetary policy long ago reached their limits. After the election, I think there is a good possibility of greater infrastructure investment, which is both a crucial source of jobs (especially in an era of increasing automation), and essential to longer-term economic growth.

You have stated that there has been too much dependence on central bankers to boost the global economies. How much does this concern you and what are the impacts of this?

We've been seeing the limitations of monetary policy for some time now, and to be fair to the central banks, they've been asked to do the job of fiscal policymakers for far too long. Extraordinary monetary policy was really only capable of carrying economies through the initial post-crisis period. Since then, however, it has failed to spur much economic activity, it's distorting certain asset prices, and the long period of low rates is straining people's ability to retire.

If you look at the anger surrounding Brexit or the populist strain in the U.S. election, there is now widespread recognition that policymakers have abrogated their responsibility to stimulate growth. Hopefully those sentiments will lead to productive fiscal stimulus, like infrastructure spending, instead of increased protectionism.

There are major challenges and concerns in emerging markets across the globe, with China and Brazil at the top of that list. Would you discuss your views on these two critical emerging markets and do you see these challenges as structural?

Well to start, I think we have two very different cases. Brazil isn't as far along in its transition to a fully developed economy – it's still too dependent on cheap labor and commodity exports, and hasn't done enough to advance education, for example. That said, the new government is on the right track in terms of economic reform, and growth should eventually rebound.

In China, the government has been quite proactive about reforming the economy and recognizes that it needs to continue to build domestic demand as wages rise. Obstacles include the outsize role of state-owned enterprises, which drag on the considerable potential for innovation in China, as well as protectionist measures like China's excessive VAT. Along with these economic reforms, China also needs to be more aggressive about reforming its social services, particularly healthcare.

You consistently speak about the responsibility that BlackRock has to its clients, from a sovereign wealth fund to a school teacher. How do you communicate this responsibility to your employees and ensure that this remains the number-one focus for the firm?

One of the things I'm proudest of is the fiduciary culture of the firm. We founded BlackRock on the idea that investors weren't getting the advice they needed to protect their investments, and that mission of improving our clients' outcomes still runs through everything we do. The key is not just placing the responsibility for client service on a handful of people, but rather making sure that every single person sees their job through the lens of fiduciary responsibility, whether they're in compliance, in trading, or computer engineering. From the very beginning, we've made sure that every time we make a trade, or acquire a company, or rethink our internal structure, we're always asking, "How will this help our clients?" The people who thrive at BlackRock are the ones who internalize this question and put client interests ahead of their own.

As you look at the impact of technology on business and the disruption taking place across all industries by new technologies, what needs to be done to prepare ourselves and our children for the changing world we live in?

First, we have to prepare young people who are entering the workforce, by increasing the focus on STEM education. Second, we need to ease the landing of people who are pushed out of the workforce by automation. As I mentioned, infrastructure investment will play a crucial role in doing so, but it can't solve the problem on its own, and the U.S., at least, has to continue to grow sectors of the economy (such as services) that are less sensitive to automation.

You served as Co-Chair of the Partnership for New York City and have been an engaged leader in the Partnership for many years. What makes the Partnership so effective?

The Partnership provides a unique model for civic engagement from the private sector. It's very different from the traditional model of Chambers of Commerce, where you have the business community advocating for fairly parochial interests that don't necessarily benefit the entire town or city.

What makes the Partnership great is that it provides an avenue for creativity, for big ideas, and for advocacy that tackles big issues. The scope of the organization's goals (and its ability to work effectively with government and other nonprofits) is a tremendous benefit to New York City. ●

