

BlackRock's March to World Power

by Karel Vereycken

Jan. 29—Since the 1999 official abrogation of President Franklin Roosevelt's Banking Act of 1933—the Glass-Steagall Act that imposed a strict separation between commercial and deposit banks on the one hand, in charge of keeping our savings and money safe by avoiding risk; and investment banks on the other, paid to take risks on the highly volatile markets—since then it has been the latter who have triumphed. Giant banks such as JPMorgan Chase and Goldman Sachs, who supplied and hired one top public official after

another, became the rulers of the world.

However, after the famous “Lehman moment” of 2008, some elementary prudential rules were enacted to try to prevent excessive speculation and systemic risk. Wall Street lawyers and greedy money sharks, of course, invented smart ways to sail around these obstacles. Armed with super-powerful computers using sophisticated algorithms, three giant “asset managers,” financial shadow corporations known as “The Big Three” (BlackRock, Vanguard and State Street),



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An evil “taxonomy”: From the towers of Goldman Sachs (left), JPMorgan Chase (right), and first and foremost BlackRock, Inc. (center), companies around the world are being told to stop investing in fossil fuels and their technologies, and to make investments in a new “green finance” bubble instead.

became the kings of the day. Here is how it happened.

As in Silicon Valley, Algorithms Decide

Since 2008, new technologies have transformed the world of finance. First, the spectacular improvement of computer technologies, notably the development of High Frequency Trading (HFT), has brought many private as well as institutional investors to shift capital from “actively” managed mutual funds to “passively” (computer) managed index mutual funds and “exchange traded funds” (ETFs).

While active management requires traders and fund managers who strive to buy stocks that will outperform others, “passive” management—the use of mathematical algorithms—turns out to work better and to be safer and cheaper. When the stock market rises steadily, tracking a stable basket of values with an algorithm pays off more than analysts’ intuitions. Academic research regularly demonstrates this.

The Big Three

Between 2008 and 2015, investors sold holdings of “actively” managed equity mutual funds worth roughly \$800 billion, while at the same time buying “passively” managed funds to the tune of approximately \$1 trillion—an historically unprecedented swing in investment behavior.

Crucially, this large and growing industry of “passive management” is dominated by the “Big Three”—BlackRock, Vanguard, and State Street.

Founded in 1988, initially as an asset and risk management firm with some emphasis on fixed-income institutional asset management, the New York-based firm BlackRock, Inc. is the world’s largest asset manager, with \$8.67 trillion in assets under management as of January 2021. For BlackRock, index “products” represent more than \$5 trillion of that total.

Just behind BlackRock, one finds the Vanguard Group, another U.S.-registered investment advisor with about \$6.2 trillion in global assets under man-



Peter G. Peterson, a former Secretary of Commerce, founded the Blackstone Group in 1985, which later set up BlackRock.

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agement, as of January 31, 2020.

And lastly, the Boston-based firm State Street Global Advisors (SSGA) is another asset management company, with \$3.1 trillion under management. SSGA is a division of State Street, with \$36.64 trillion in custody, the world’s second-largest “custodian bank,” a specialized financial institution responsible for safeguarding a firm’s or individual’s financial assets and not engaged in “traditional” commercial or consumer/retail banking.

Of course, compared to the United States’ largest bank, JP Morgan Chase, which has on its

balance sheets \$3.1 trillion in assets, BlackRock, with \$165 billion of assets on its balance sheets, might look tiny. But through, not their ownership, but their “assets under management,” the Big Three of the “financial service” industry place themselves at the very center of global financial power. Today, and taken together, the Big Three manage about \$18 trillion, almost \$3 trillion more than the GDP of a country that is close to becoming the world’s leading economic power, China!

The primary source of these assets under management are pension funds, mainly those of California and New York state government employees. All have funded pensions and are hoping to see their own savings, already supplemented by their employer, blossom in the financial markets, under management.

From Blackstone to BlackRock

BlackRock is an offshoot of The Blackstone Group (TBG), an “alternative investment” management company founded in 1985 by Peter G. Peterson, a former CEO of Lehman Brothers, and Stephen A. Schwarzman. Peterson, a former Commerce Secretary, has always been at the forefront of the campaign to cut or privatize Social Security.

Two years after TBG’s founding, in 1987, in exchange for a 50% stake in the bond business, TBG gave a \$5 million credit line to Larry Fink and Ralph Schlosstein, who had previously run the mortgage-

backed securities divisions at First Boston and Lehman Brothers, to create a new firm. Peterson believed in Fink’s vision of a firm devoted to risk management. The firm that Peterson helped create, before adopting the name BlackRock in 1992, was called Blackstone Financial Management. Within months, its business turned profitable. At First Boston, Fink and his team had been pioneers in the mortgage-backed securities (MBS) market, a kind of high-risk financial derivatives completely decoupled from the real economy, being assets that Warren Buffett at one time rightly branded as “financial weapons of mass destruction.”

Moving into passive investing put BlackRock’s growth “on steroids,” says Gregory Warren, an analyst at Morningstar Inc. BlackRock has become the world’s largest global issuer of exchange-traded funds (ETFs) today; a pioneer in junk bonds; and even if it is not a bank, it has often been referred to as the world’s largest “shadow bank.”

Today, BlackRock employs 13,900 people spread over 30 countries, tasked with selling financial products or investing in new companies. In 2009, BlackRock, joining with the City of London, acquired



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South Africa relies on coal for 80% of its power. Shown: the coal-fired Arnot Power Station in Mpumalanga, South Africa. Under Pressure from BlackRock, the Korea Electric Power Corporation has cancelled a \$1 billion contract to build part of the planned 1,200 MW Thabametsi coal-fired plant.

Barclays Global Investors in a deal that included Barclays’ iShares ETF business; and three years before that, the firm acquired Merrill Lynch Investment Management. With the profits earned by selling financial advice to pension funds and institutional investors, BlackRock bought shares of 17,000 companies and firms, not only in the United States but worldwide, and they never fail to vote at each general meeting. French economic journalist, Grégoire Favet:



KEPCO

The 311 MW Cebu Power Plant in Naga City, Philippines, uses the modern Circulating Fluidized Bed Combustion method, showing a commitment by the Philippines to clean coal technology. BlackRock has forced the government to declare a moratorium on all new greenfield coal-fired plants, including a 1,200 MW plant under contract to be built by KEPCO.

As soon as BlackRock appears as one of your shareholders, your company stands out from the crowd and gains a huge amount of prestige. When you are Larry Fink, you can talk as equals with the director of the IMF or a head of state. Mr. Fink has already been received twice at the Élysée since the election of Emmanuel Macron.

Hence, the Big Three together constitute the largest shareholder of all U.S. corporations and are the largest shareholder in each of 88% of the S&P 500 firms.

In France alone, these funds are a

5-10% shareholder, via a string of subsidiaries, of Eiffage, Danone, Vinci, and Lagardeère, but also of Renault, Peugeot, Société Générale, Axa, Vivendi, Total, Sanofi, Legrand, Schneider Electric, Veolia, Publicis, etc. BlackRock is a shareholder, often the principal one, in at least 172 of the 525 French companies listed on the French stock exchange, the CAC.

The Magic Lamp of Aladdin

To understand the reason for the spectacular rise of BlackRock, one has to be aware that the key to “passive” index trading, derives directly from powerful computer technology for assessing risks in real time. Risk management became the foundation and the cornerstone of the firm’s entire platform. To get there, in 2000 BlackRock launched BlackRock Solutions (BRS), the firm’s own risk management division, which developed an electronic system called Aladdin (Asset, Liability, Debt and Derivative Investment Network). This electronic application—a cluster of 6,000 high-performance computer servers constantly monitoring nearly \$18 trillion, or 8% of the world’s financial assets—keeps track, in real time, of some 30,000 investment portfolios, including BlackRock’s own along with those of competitors, banks, pension funds, and insurers.

Thanks to this highly sophisticated computer system managed by a 2,000-person army of mathematicians and IT specialists, BlackRock, in a joint venture with Google, has shifted part of its investments from human analysts to the algorithms of its artificial intelligence platform.

Equipped with this very powerful analytical tool, and having access, as a major shareholder, to the balance sheets of a huge part of the Western economies, BlackRock has been increasingly called on to advise governments in crisis situations.

In May 2009, when the financial crises still looked unmanageable, BlackRock, together with top Wall Street lawyers from Sullivan & Cromwell and some others who legally engineered most of Wall Street’s high-risk mergers and acquisitions, were retained by the U.S. Treasury Department, not to liquidate, but to rescue (i.e., to analyze, unwind, and price) the toxic mortgage assets that were owned by investment bank Bear Stearns, the world largest in-



Pexels/Lukas

Armed with its Aladdin portfolio management software tool, BlackRock has leveraged increasing control over corporate and government financial decisions. Shown: A market monitor showing fluctuations in values.

surer American International Group (AIG), Freddie Mac, Morgan Stanley, Citigroup, and other financial firms that were going belly-up following October 2008.

Only BlackRock’s program Aladdin was “able to analyze the risks of investing in any stock, to highlight where to sell bonds to attract the best price, to track all transactions, to bring together all the data and have at hand information vital to investors,” explained the *Financial Times*.

Taking advantage of the panic, and of course for a good price, BlackRock put Aladdin at the disposal of other financiers, institutions, and increasingly, governments. Hence, BlackRock picked up a contract to monitor Fannie Mae and Freddie Mac, the public mortgage credit institutions that the federal government had just rescued.

For example, both Vanguard and State Street Global Advisors, the two other firms of the Big Three, are users of Aladdin, as are half the top 10 insurers by assets, as well as Japan’s \$1.5 trillion government pension fund, the world’s largest. Apple, Microsoft, and Google’s parent firm, Alphabet, the three biggest U.S. public companies, all rely on Aladdin to steward hundreds of

billions of dollars in their corporate treasury investment portfolios.

Auditing on behalf of the public sector, investing in the private sector: two self-evidently incompatible hats. As early as 2009, elected representatives started wondering. For example, Republican Senator Charles Grassley asked:

How is it that only one company is qualified to manage these assets recovered by the government? They have access to information about when the Fed will try to sell securities and at what price. And they cultivate highly developed financial relationships with people around the world. The potential for a conflict of interest is great and it's complicated to regulate.

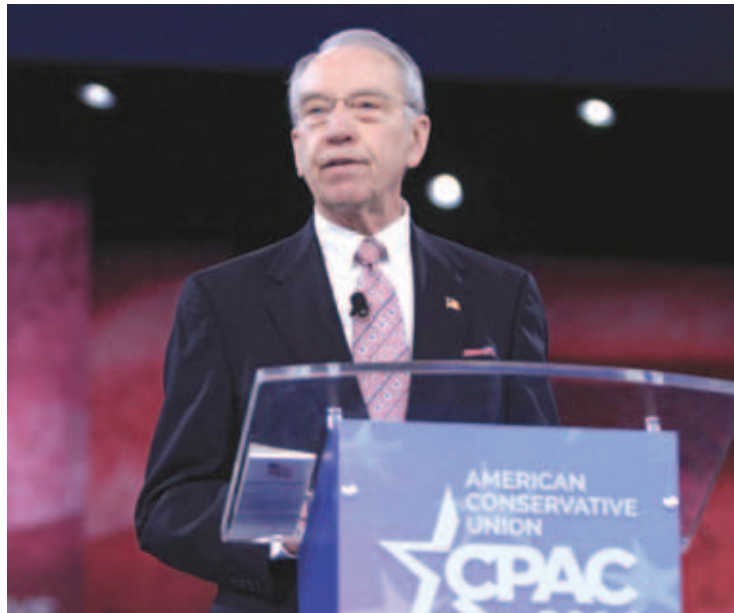
Even President Donald Trump, on March 2020, when the COVID-19 pandemic started hurting the U.S. economy, called Larry Fink for advice.

Lobbying and Politics

In Europe, following the example of the Fed, the ECB called upon BlackRock to conduct stress tests for European banks including those in which it had shares. At the beginning of 2018, this contract was extended. Danièle Nouy, Director of the ECB's Supervisory Board, said that in 2016, the ECB had paid €8.2 million for the job. In financial terms, for a giant like BlackRock, this is very little. "Working for the central banks of the Netherlands, Spain, Ireland, Cyprus or Greece brings something much more exciting than money: information," notes *Wolf Street*, the well-informed website run by former trader Wolf Richter.

BlackRock has always said that it carefully manages potential conflicts of interest through a "Chinese Wall" that separates its consulting business from its asset management business. A promise that, of course, only engages those foolish enough to believe in it. In reality, the ECB has no power over this company. BlackRock's argument is simple: We don't operate with leverage; we don't act like banks, so we don't need to be regulated as a systemic institution.

In Europe, we find BlackRock as an auditor of banks engaged by regulatory authorities and as an



Gage Skidmore

Senator Charles "Chuck" Grassley (R-IA), speaking in May 2009, when the financial crisis seemed unmanageable: "How is it that only one company [BlackRock] is qualified to manage these assets recovered by the government?"

adviser to states on privatization. In the Autumn of 2017, it was invited by the French government to sit on the Comité Action Publique 2022 (CAP 2022), a kind of second Attali Commission, meant to sketch out the future contours of the French state. Behind the scenes in Europe the firm is very busy countering any attempt to increase regulation of large financial firms.

To consolidate its grip on world power, BlackRock increasingly invests in politicians. Just as did Goldman Sachs when hiring Peter Sutherland, the former boss of the World Trade Organization; Manuel Barroso, the former head of the EU Commission; or Mario Draghi, the former head of the ECB, BlackRock has set its sights on Europe and spends heavily on recruiting top political figures possessing large address books. Notably this includes the failed successor of Chancellor Merkel, Friedrich Merz; the former head of the Swiss National Bank, Philip Hildebrand; the former UK Finance Minister George Osborne; or Paschalis Bouchoris, the former head of the Greek privatization program. Larry Fink can fly to Europe and in less than five hours get an appointment with most EU presidents, prime ministers, or CEOs of large business corporations.

For Biden, Only BlackRock's Life Matters

This year's Davos "Great Reset" agenda meeting has no doubt accelerated the transition into green finance. That U.S. President Joe Biden, who has made the Green New Deal his policy, picked several high-level officials of BlackRock to be part of his administration, is no surprise.

As reported in 2016 by *The Intercept*, Larry Fink, betting Hillary Clinton would win the elections—

assembled a veritable shadow government full of former Treasury Department officials at his

The Intercept took the occasion to expose "asset management":

Asset managers don't package and sell dodgy financial products like investment banks, and don't trade with borrowed money like hedge funds, so they are typically viewed as more restrained and less averse to regulation than their colleagues in those related industries. But they are embedded in the broader financial system as voracious buyers of securities.... They may not create the risk, but they own a lot of it....

Whether buy-side firms like BlackRock represent a systemic risk to the financial system is the subject of some debate. Some believe asset managers could trigger problems by failing to pay off counter-parties, or being forced into a fire sale of their assets.

[But Fink and BlackRock] pushed hard to successfully resist the designation of asset managers as systemically important financial institutions (or SIFIs), which would be subject to additional regulation like larger capital requirements.



Laurence Fink, Chairman and CEO of BlackRock, Inc., the world's largest asset management firm, with more than \$6.5 trillion in assets under management, speaking at the Davos Agenda 2021 World Economic Forum.

Directly opposing the fight of the Lyndon LaRouche movement, "Fink also opposes efforts to reinstate the Glass-Steagall firewall between investment and commercial banks, as does [Hillary] Clinton," wrote *The Intercept*. Reinstatement of the Glass-Steagall Act would pave the way for an economic and industrial renaissance in the United States and abroad,

company. Fink has made clear his desire to become Treasury Secretary some day. The Obama administration had him on the short list to replace Timothy Geithner. When that didn't materialize, he pulled several members of prior Treasury Departments into high-level positions at the firm, an attempt to improve the prospects of realizing his dream in a future Clinton administration.

Hillary Clinton, for her part, of course never ruled out a Treasury Secretary drawn from Wall Street. Fink's ready-made team was available for a move from Wall Street to Washington.

What BlackRock failed to impose under Trump, it now hopes to implement under Biden. To start with, Biden appointed lawyer Adewale "Wally" Adeyemo, the former chief of staff to Larry Fink, as Assistant Secretary of the Treasury, that is, as the number two to Janet Yellen, Obama's former Federal Reserve Chairman. From the beginning, Biden's donors had suggested that he appoint Larry Fink as Secretary of the Treasury! As a symbol, it

was probably a bit too controversial as a starter.

Adeyemo, who was born in Nigeria but grew up in California, first worked as editor of the “Hamilton Project,” an economic think-tank under the Brookings Institution set up by Obama confidant Peter Orszag of the investment bank Lazard Frères. Adeyemo is also a member of the circle of gravediggers of the Glass-Steagall Act, including Larry Summers, Timothy Geithner, Robert Rubin and Eric Schmidt of the Alphabet group (Google). Adeyemo then became Jack Lew’s deputy chief of staff at the Treasury Department. He then operated as a chief negotiator for the major ultra-liberal free trade agreement called the Trans-Pacific Partnership. Under Obama, in 2015, he was appointed Deputy National Security Advisor for International Economics and Deputy Director of the National Economic Council. He then became the first president of the Obama Foundation.

Next, Biden named Brian Deese as director of the National Economic Council. On BlackRock’s website, Deese’s CV reads as follows:

Brian Deese, Managing Director [of BlackRock], is Global Head of Sustainable Investing at BlackRock. The Sustainable Investing team is focused on identifying drivers of long-term return associated with environmental, social and governance issues, integrating them throughout Blackrock’s investment processes, and creating solutions for our clients to achieve sustainable investment return. Previously, Brian worked in the White House under President Obama where he was the President’s senior advisor for climate and energy policy, helping to negotiate



Adeyemo “Wally” Adeyemo, former chief of staff to BlackRock’s CEO Larry Fink, is now Assistant Secretary of the U.S. Treasury Department.

the Paris Climate Agreement and other national and international initiatives.

Third, Michael Pyle, an Obama administration veteran who also worked on economic policy in Hillary Clinton’s presidential campaign and whom we mentioned before, was nominated as chief economist to Vice President Kamala Harris.



Brian Deese, formerly Global Head of Sustainable Investing at BlackRock, is now Director of President Biden’s National Economic Council.

Joe Biden initially envisioned even nominating Tom Donilon, the president of the BlackRock Investment Institute (BII) as head of the CIA, but that didn’t materialize. Tom Donilon, besides being the brother of Biden’s main media advisor Mike Donilon, is a member of the Trilateral Commission, the Council on Foreign Relations (CFR) and the Executive Board of the secretive Bilderberg Society.

As documented in the other articles of this dossier, BlackRock is working overtime to bring a willing Biden into the British genocidal plan to “green” the world’s finance—not to save the climate, but to save their doomed and already collapsing empire of debt “assets” and fictitious capital.