Larry Fink's $12 Trillion Shadow

The "psychologically astute" Larry Fink, photographed at BlackRock headquarters in February.

Considering the enormous power he is believed to wield, it's remarkable how few people have heard of Larry Fink. In political and business circles—among the men who travel the now well-worn corridor between Washington and Wall Street—Fink, the chairman and C.E.O. of BlackRock, the giant asset-management firm, is described as possibly the most important man in finance today. But mention his name to most people and they draw a blank. Despite his considerable wealth, he is virtually unknown on the society circuit in Manhattan, where he has an apartment on the Upper East Side, or in Aspen, where he also has a home. In North Salem, the affluent enclave north of New York City where he and Lori, his wife of 35 years, have a 26-acre farm, he is perhaps slightly better known, if only because a number of Wall Street bankers have estates there. But still—just a few months ago—when one of his neighbors, a prominent New York agent, furious that a popular horse path through the Fink estate had been blocked off, was told who owned the property, her response was: "*Who* is Larry Fink?"

Yet among the men who run Wall Street, it would be hard to find anyone who is not at least a little bit in awe of Larry Fink. While some —especially those who have known him the longest—snicker privately about how clearly the 57-year-old seems to relish his "transformation" in the last year and a half "into a Wall Street statesman," its top *consigliere,* and the leading member of the country's financial oligarchy, there is nothing but admiration for the vast power of BlackRock. In December, when Fink's $13.5 billion acquisition of Barclays Global Investors was finalized, BlackRock, the company he founded 22 years ago, officially became the largest money-management firm in the world. A global colossus—with $3.3 trillion in assets under its direct management and another $9 trillion it supports—BlackRock manages about $1 trillion of pension and retirement funds for millions of Americans and oversees the investments of scores of institutions around the world: from state and local governments to college endowments, from Fortune 500 companies to the sovereign-wealth funds of, among others, Abu Dhabi and Singapore.

BlackRock's vast reach in the global markets is not, however, its only source of influence these days. That Fink pulled off the Barclays deal in the aftermath of 2008's financial meltdown is, in itself, impressive, but he did more than merely survive the wreckage unscathed. Indeed, it is hard to argue that anyone, or any firm on Wall Street, gained as much stature from the economic crisis as did Fink and BlackRock. At the height of the disaster, when the American economy was on the brink, it was to Fink that Wall Street's C.E.O.'s—including J. P. Morgan Chase's Jamie Dimon, Morgan Stanley's John Mack, and A.I.G.'s Robert Willumstad—turned for help and counsel. As did the U.S. Treasury and the Federal Reserve Bank of New York, whose top officials turned to Fink for advice on the financial markets and assistance on the $30 billion financing of the sale of Bear Stearns to J. P. Morgan, the $180 billion bailout of A.I.G., the $45 billion rescue of Citigroup, and those of Fannie Mae and Freddie Mac at $112 billion and growing.

Today, through an array of government contracts, BlackRock has effectively become the leading manager of Washington's bailout of Wall Street. The firm oversees the $130 billion of toxic assets that the U.S. government took on as part of the Bear Stearns sale and the rescue of A.I.G.; it also monitors the balance sheets of Fannie Mae and Freddie Mac—which together amount to some $5 trillion—and provides daily risk evaluations to the New York Fed on the $1.2 trillion worth of mortgage-backed securities it has purchased in an effort to jump-start the country's housing market.

If Larry Fink is currently "at the hub of the wheel of American capitalism," as his friend Ken Langone, the co-founder of Home Depot and a former director of the New York Stock Exchange, puts it, he has achieved this position largely in the shadows. Even on Wall Street, until recently, there were people who only vaguely knew what he did. According to William D. Cohan, a former investment banker and the author of the best-selling account of Bear Stearns's collapse, *House of Cards,* there were many bankers at the firm who for months had no idea how deeply Fink and BlackRock were involved in the dismantling of their company. "He's like the Wizard of Oz," Cohan says. "The man behind the curtain."

When they speak of what Larry Fink has achieved, Wall Street C.E.O.'s use the sort of gushing encomiums that are usually overheard in Hollywood pitch meetings: "unbelievable, completely remarkable"; "spectacular"; "brilliant." If so many turn to him for advice now, it is "because he understands business backwards and forwards, he understands risk, and he knows the markets," says Fink's friend John Mack, the chairman of Morgan Stanley. He also "hasn't made the big mistakes, and some people have," adds Mack, whose firm was saved by $10 billion of tarp funds, since returned, and a capital infusion from a Japanese bank—a deal which BlackRock helped to value. Considering his profound understanding of the markets, his gold-plated Rolodex, and his intimate knowledge of the culture and management of nearly every major Wall Street firm, some C.E.O.'s even suggest privately that Fink should be considered for the next Treasury secretary—if the embattled Timothy Geithner does not survive his current term.

But BlackRock's enormous and growing influence and its sheer size—too big to fail, some say—has begun to raise questions. "It's like the Blackwater of finance, almost a shadow government," says one senior bank executive, referring to the mountain of government contracts awarded to the firm. Although others—including the massive California-based Pacific Investment Management Company—have benefited from the gravy train of post-bailout government jobs, none appears to have gained nearly as much as BlackRock. Fink's firm has been granted a privileged view into a broad swath of the financial markets, raising questions, says James Bianco, the C.E.O. of Bianco Research, about how it is handling possible conflicts of interest. That BlackRock was awarded key contracts with no competitive bidding, in a process enveloped in secrecy, has also raised hackles in Congress and led to questions about Fink's long-standing relationships with senior government officials, particularly former Treasury secretary Henry Paulson and Geithner, his successor.

"You see a lot of concentration now in the financial industry of people who are more connected than brilliant," says Janet Tavakoli, the president of Tavakoli Structured Finance and the author of *Dear Mr. Buffett: What an Investor Learns 1,269 Miles from Wall Street*. "So why BlackRock? Not to take anything away from Larry Fink, but all the contracts awarded to BlackRock, in the way they've been awarded, deserves some question."

The Yenta of Wall Street

It is the polished, calm, measured Fink—the "Wall Street Wise Man"—that one sees on television, often on CNBC, where he has appeared with increasing frequency. Tall, balding, and bespectacled—pontificating about interest rates, the dollar, bond yields, and financial regulatory reform—he speaks softly, in a tone that is authoritative and bland, which is nothing like the man off the air.

Passionate, "intense, very intense," Fink, in person, friends say, is above all "blunt," "very opinionated." "He is a *very* strong personality," says J. Tomilson Hill, the vice-chairman of the Blackstone Group, the $100 billion asset management and advisory firm. "He will give you a point of view when a lot of people don't want to be pinned down." Part of the reason men on Wall Street not only like Fink but, says Hill, "really trust him" relates to BlackRock's unusual status on Wall Street. As an asset manager, BlackRock trades only money that belongs to its clients. Unlike other Wall Street C.E.O.'s, whose firms trade for their own account and whose advice to others and loyalty to their clients are often subordinated to their own quest for profits, Fink is perceived as objective.

But it is Fink's willingness to take a stand, many of his peers say, that really distinguishes him. "There is no hidden agenda with Larry," says Ken Langone. "He's right out front. He doesn't run for the hills like some other so-called business leaders." And he doesn't mince words, as in telling Goldman Sachs chairman Lloyd Blankfein, "What the *fuck* were you thinking?," when he learned that Goldman was trying to buy as much as $1 billion of Fannie Mae tax credits last November in a deal—widely criticized as yet another Goldman money grab—that was eventually nixed by the Treasury on the ground that it would have cost the U.S. government far more than Fannie would have gained.

Clever, "always funny"—with a wit that can be very edgy—emotional, and "psychologically astute," Fink, friends say, is endlessly entertaining. A regular at San Pietro, the Wall Street power restaurant on East 54th Street—where, on any given day, the tables are filled with the city's top financiers, who go there "to see and be seen," as one C.E.O. puts it, for lunches that can start at $100—Fink can often be found schmoozing at his permanent table on "C.E.O.'s row," by the windows overlooking 54th Street. "He has a tremendous ability to network. He is always getting information, getting feedback, testing things out," says his old friend Ken Wilson, a former senior Treasury official and Goldman Sachs partner. And the information he brings to the table isn't about just the financial markets.

Fink is also one of the best gossips on Wall Street. In an industry where information is power, he is regarded as the king, someone who gives to get. "Larry's a real yenta," says one bank executive who has known him since the early 80s. "There's a lot of hinting at how much he knows. It'll be 'Oh, Bear Stearns, that portfolio is … ' and then he won't say it—he'll just hold his nose." Or "As I told Washington," a phrase he is known to insert into conversation. "Larry has always wanted to be important," says this bank executive. "And now that he's more important than he ever dreamed of, he's loving it."

During six hours of interviews with Fink in December and January, all of these qualities were on display. Seated at the long cherrywood table in his conference room on the seventh floor of BlackRock's headquarters, on East 52nd Street, he spoke about his firm, Wall Street, Washington, and himself. At times coolly analytical, and surprisingly reflective, he was at other moments defensive, emotional, and startlingly blunt. He gesticulates when he speaks, in a voice that sometimes verges on shouting but can suddenly drop to a whisper as though he were talking to a child or a lover. Both trenchant and gossipy in his insights—with a mind that moves at 90 m.p.h.—it is obvious what draws people to him. He's open and unguarded, but only up to a point. There is another side of Fink—cautious and veiled—that monitors every word that comes out of his mouth.

A part of Fink, friends say, wants to be recognized—is "definitely motivated to be extraordinarily regarded," as one C.E.O. who has known him for three decades puts it. It's the side of him that loves the limelight and accounts for the swagger that creeps into his conversation. But Fink is also "obsessive," almost "paranoid," says one friend, about maintaining control. Perhaps this is because his success and influence have been built on the fear of losing it.

Risky Business

Larry Fink was 23 years old when he first went to work on Wall Street, in 1976. Raised in Van Nuys, California—where his father owned a shoe store and his mother was an English professor—he was, he says, "just an L.A. kid" who showed up on Wall Street "with my turquoise jewelry and long hair." He had gone to U.C.L.A., where he majored in political science; he married his high-school girlfriend the summer after he graduated, and went on to study real-estate finance at U.C.L.A.'s business school. Peppered with offers from the top investment banks, he chose First Boston, where he was put to work trading bonds, which, at the time, was a sleepy backwater. Within three years, he was put in charge of what was then a virtually unknown business, structuring and trading mortgage-backed securities.

During the next decade, Fink would become something of a legend on Wall Street. Along with Lew Ranieri, of Salomon Brothers, he would be credited with developing the multi-trillion-dollar debt-securitization market that transformed the face of finance. By 2008 this market—of mortgages, and car and credit-card loans, purchased from banks, sliced into pieces, repackaged, and sold to thousands of investors—would help bring the economy to its knees. But long before it spiraled out of control, it was considered an incredible innovation. Looking back, Fink says, "We were able to narrow the cost of housing in America." Recalling how "rewarding" it felt "going to Washington to talk with Fannie Mae and Freddie Mac about mortgage opportunities," he says, "even in my 20s, I felt there was an enormity to what we were doing to help."

Yet if Fink identifies most with the statesman-like aspects of his work, his Wall Street peers remember another side to him. People liked him, but he was also perceived as cocky and rough-hewn, as "this guy who always wanted more than he had," says one former First Boston partner. "He had his nose pressed to the window. You could sense this intense ambition." He made huge bets in the market, happy to push the limits, and was not above stuffing a deal down a client's throat just so that First Boston could beat Salomon Brothers in the quarterly tally of deals.

At his worst moments, he is remembered as a "big swinging dick"—the term, immortalized in Michael Lewis's *Liar's Poker,* used to describe the most arrogant and aggressive of Wall Street's bond traders. Over the years, Fink has responded bitterly to this characterization, blaming it on the snobbery of Wall Street's Wasp investment bankers, who looked down on the Jewish and Italian traders who were allowed to succeed in the mortgage-bond business only, he says, "because we weren't really wanted anywhere else." But neither view is quite accurate. He was considered a canny master of the market, and his interest in policy and strategy gave him more intellectual heft than many of his peers.

Over time, Fink added, by some estimates, about $1 billion to First Boston's bottom line. He structured some of its landmark deals, including the 1986 $4.6 billion securitization of GMAC auto loans. And he was rewarded with money—and status. The ultimate insider, he became the youngest managing director in First Boston's history and, at 31, the youngest member of its management committee. Many believed that he would eventually run the firm.

And then, in the second quarter of 1986, his department lost $100 million. His traders had taken a huge position in the market based on Fink's prediction that interest rates would rise. When rates suddenly dropped, not only were those trades wiped out but so were the hedges designed to offset them. Almost overnight, Fink says, he went "from a star to a jerk." People stopped talking to him in the hallways; he was ostracized.

On Wall Street, the end of Fink's career at First Boston is recalled as one of the more spectacular and humiliating "flameouts" on record. "Public and really awful," recalls one top financier. Fink insists he was not fired, but Wall Street has many ways of getting rid of people. When he left First Boston, in the spring of 1988, after two years as *persona non grata,* the firm, in a nasty parting shot, made it publicly known that Fink's departure was essentially forced. As the investment bank's spokesman told *The Wall Street Journal,* "He did not have the option of staying in his current job."

"It was very painful," Fink recalls. "I was not treated as a partner or with the dignity that I expected. Relationships changed and that was difficult for me to handle," he says. "As a result," during the two years before he left First Boston, "I was losing my self-confidence." Leaving was very difficult. "I loved First Boston," he says. Even now, 22 years later, he is visibly upset remembering the time, gripping his chair so tightly his knuckles are white. Fink says he didn't know what to do next; all that was certain was that he was tired of Wall Street—of the way it treated people, its employees and its clients.

He now says he lost money at First Boston because no one really understood the risks involved. The computer systems were inadequate, and so were the programs that measured the impact of key variables such as changes in interest rates. "We built this giant machine, and it was making a lot of money—until it didn't," Fink says. "We didn't know why we were making so much money. We didn't have the risk tools to understand that risk. It's what I tell everybody today: you should analyze your portfolio just as much when you are making money, because you could be taking on too much risk."

Seared by his fall from grace at First Boston, Fink vowed never again to be in a position where he did not fully understand the risks he was taking in the market. What Fink had also come to see during his years at First Boston was how little his clients—pension funds, corporations, state and local governments—understood about the risks they were taking. Indeed, he says they were almost completely dependent on Wall Street firms to measure their risk—which was something, he knew from experience, that Wall Street did poorly. And so he decided to build a company that would not only invest money for clients but offer them sophisticated risk management too.

Aladdin

In 1988, with several partners, including Ralph Schlosstein, a Lehman Brothers banker and former Carter-administration Treasury official, Fink set up shop at Blackstone. The company—founded by Peter Peterson, the former head of Lehman Brothers and secretary of commerce under Nixon, and his erstwhile Lehman partner Stephen Schwarzman—backed Fink with a $5 million line of credit. The newly formed group worked out of a tiny office it rented in a corner of Bear Stearns's bond-trading floor. By 1993, Fink's group had more than $20 billion under management. But the following year, Fink split from Blackstone, the loser in a fight with Schwarzman over the unit's share of Blackstone's equity, which insiders say was more fundamentally a struggle for control between two of Wall Street's strongest personalities. In a move that Schwarzman would come to regret, given how immensely profitable the newly independent BlackRock would become, he sold Blackstone's 32 percent share in Fink's unit to PNC, a Pittsburgh bank, which paid a mere $240 million for the entire company.

During the next 15 years, BlackRock would grow at a staggering rate. It would go public in 1999, buy State Street Research & Management Co., for $375 million, in 2004, merge with the $544 billion Merrill Lynch Investment Managers in 2006, purchase Quellos, a fund of funds, in 2007, and finally, last year, in its biggest deal, acquire Barclays' global asset-management business. Although it began as a bond-investment company, along the way BlackRock extended its reach—into equities, hedge funds, real-estate investments, and exchange-traded funds—and merged its various interests with deft coordination.

But while its size was impressive, what would distinguish BlackRock was its state- of-the-art system for evaluating and managing risk. With 5,000 computers running 24 hours a day, overseen by a team of engineers, mathematicians, analysts, and programmers, BlackRock's "computer farm" could monitor millions of daily trades and scrutinize every single security in its clients' investment portfolios to see how they would be affected by even the most minor changes in the economy. Churning through 200 million

calculations each week, its computers could simulate every imaginable shift in interest rates, every conceivable change in the financial markets, and stress-test the performance of hundreds of thousands of securities in numerous global-crisis scenarios.

Known as Aladdin, the system was effectively a multi-billion-dollar computerized worrywart, searching the markets for anything that could go wrong. And it would become the foundation for a second business that would expand BlackRock's reach beyond asset management, into the business of advising clients for whom things *had* gone wrong. Officially formed in 2000, the BlackRock Solutions division now has about 140 clients, the best known of which happens to be the U.S. government.

With Aladdin, BlackRock Solutions' 600 employees can evaluate a client's holdings in a day, grinding through a $30 billion portfolio—as it did with Bear Stearns in March 2008. It can also manage a client's portfolio long-term—as it is currently doing for the three investment vehicles (known as Maiden Lane I, II, and III) that hold the $130 billion of A.I.G. and Bear Stearns assets taken over by the New York Fed in the fall of 2008. For other clients—such as Fannie Mae, Freddie Mac, and the New York Fed's $1.2 trillion in mortgage securities—it simply monitors the portfolio around the clock and can provide daily risk-assessment reports. BlackRock also "rents" the use of Aladdin to about 40 clients, providing them with all its services but still controlling the systems from its headquarters. It is through Aladdin that BlackRock effectively has an electronic eye on investments that amount to about $9 trillion worldwide.

Fink started the advisory business in 1988, almost literally in the ashes of First Boston. His first client was a savings-and- loan institution, an industry he knew well. With help from the major Wall Street firms, including First Boston, the S&L industry had expanded too rapidly and made poor investments. By the late 80s, the industry was on the verge of failure, and one of Fink's next clients was the Federal Deposit Insurance Corporation. Until the Resolution Trust Corporation was established, the F.D.I.C. hired him to manage the assets of S&Ls that had been taken over by the government.

But the deal that would put Fink on the map came in 1994, the year he split from Blackstone. Kidder Peabody collapsed spectacularly, and General Electric, which owned the investment bank, brought in Fink for help in liquidating, and then selling down, Kidder's $7 billion portfolio of mortgage-backed securities. There was no small irony in the fact that part of the mess that BlackRock had to clean up included the trading portfolio of some of Fink's former competitors.

"What happened at First Boston was one of those life-shaping events," says Fink's friend Greg Fleming, the former president of Merrill Lynch who now runs Morgan Stanley's asset-management business. The shock of the losses and the humiliation that followed have made Fink, as Fleming observes, "one of the most obsessive, paranoid—appropriately paranoid—people about making sure he understands what could go wrong." He might enjoy skiing and fly-fishing in Colorado, building his noted collection of American folk art, or spending time with his three children and grandchild, but while "he likes a good meal and nice bottle of wine," says a friend, "he is very focused on driving BlackRock forward at all times." "Larry worked very hard to repaint himself," says one prominent banker. "When you are fired, there is a drive to redeem yourself, to prove yourself, to show people that you have the goods. I think that is a lot of what motivates Larry," he says. "Without him, BlackRock would just be another big asset-management company. But Larry has put it in center ring."

Just how far into that ring Fink had put BlackRock—and himself—would become evident in the fall of 2007. Under pressure from growing problems in the subprime-mortgage market, the boards of Citigroup and Merrill Lynch had just fired their C.E.O.'s, Charles Prince and Stanley O'Neal, and, as the press would report, both companies were considering hiring Larry Fink—not merely for help in managing their troubled portfolios but as their new C.E.O.

It was a measure of how much the financial establishment had come to rely on Fink. In 2003, during the New York Stock Exchange board's highly public crisis over the $190 million pay package of its C.E.O., Richard Grasso, it was Fink—a board director, along with Hank Paulson, then C.E.O. of Goldman Sachs, and the chairmen of Bear Stearns, J. P. Morgan, and Morgan Stanley—who helped broker Grasso's resignation. He was increasingly the man whom C.E.O.'s sought out for advice about the market and management issues. And if people didn't call Fink, he would call them, "happy to give advice and not hesitant to call and give it before he's asked," says a former Treasury official.

he Citigroup job went nowhere, but some now say Fink was never really a top contender. He was, however, a very serious candidate at

T Merrill—one of only two. The one who got the job was a man Fink loathed: John Thain, the former co-president of Goldman, who was then running the N.Y.S.E. and has been described by one C.E.O. as not merely "of the Establishment, but *the* Establishment." Exactly what happened is still in dispute. Fink would tell people that Merrill's board had virtually assured him that the job was his, but that the offer evaporated after he demanded he first be allowed to perform a full analysis of the bank's mammoth subprime portfolio to gauge the extent of its problems.

When it hit the press, the story set off a recoil on Wall Street. If it were true, the implication—that Merrill and Thain did not want to face how deeply troubled the company was—"made Merrill look silly," says one financier, "and it made Larry look like he was the hero." But was it true? According to one insider, Fink was passed over in large part because Merrill owned 49 percent of his company's shares, stemming from the merger of its money-management division with BlackRock the year before. There would be too many conflicts of interest in having Fink run both companies, says this person, and Merrill didn't want to sell its share of BlackRock. As for Fink's demand to evaluate Merrill's subprime portfolio? This insider says key members of Merrill's board never heard it.

Asked about that, and about accounts that he was "desperate" for the job and "furious" when, in November 2007, it went to his nemesis Thain, Fink says, "I was never desperate for the Merrill job. I can say I was interested in exploring it, but I didn't want to go into a snake trap. I said for me to even consider it I needed to have my team go in and look at the balance sheet. And I was never allowed to do that. The whole process was infuriating." He also says that his issues with Thain—who was recently hired to run the commercial finance company C.I.T. Group—"go back a lot of years," but he will not discuss them. Asked, too, about reports that Fink, in his disdain for Thain, calls him "John-boy," he smiles.

"The Interest of the American Taxpayer"

Ten months later, on the verge of collapse, Merrill Lynch was sold to Bank of America and, soon after that, Thain was pushed out. By then, Fink was more powerful than ever. In March 2008, during the frantic weekend when Bear Stearns crumbled, he was on everybody's speed dial. On the Saturday morning that J. P. Morgan called its top executives in to the office to consider buying the moribund investment bank, Jamie Dimon hired BlackRock to value Bear Stearns's assets. The next morning, after Dimon had decided he couldn't buy Bear Stearns without government support, Geithner, then chairman of the New York Fed, called Fink personally for help in managing the $30 billion of toxic assets that the Fed took over. The work at Bear Stearns was particularly brutal, says Charles Hallac, a senior BlackRock executive: "People were throwing things. They were angry. They didn't want to help. It was a hostile environment." In June, after a call from Fink, A.I.G.'s new C.E.O., Robert Willumstad, hired BlackRock to evaluate the ailing insurer's $77 billion credit-default-swap portfolio. It was a job that would lead to others when the market came crashing down six weeks later.

BlackRock owns no private jets, so Fink was on a commercial flight to Singapore the weekend when Lehman Brothers declared bankruptcy. He was "shocked" when he heard the news and flew back the next day. "I felt like Charlton Heston in *Planet of the Apes*. I came back and the whole world had changed," he says. During the next 10 weeks, he would be on the phone to government officials several times a day—logging at least 21 calls with Geithner alone. He also spoke frequently to Paulson, at Treasury, helping to advise on the structuring of tarp, and to his number two, Ken Wilson—frantically calling him at around 6:30 a.m. in the middle of September. "The shit is hitting the fan. Ken, you've got to do something," Fink said of the massive run on the country's commercial money-market funds that had begun. The funds, including BlackRock's, were hemorrhaging billions, and Fink told Wilson—who in January joined BlackRock as a vice-chairman—that the government needed to step in and guarantee them before the credit market collapsed, which the Treasury Department did within hours of Fink's call.

When A.I.G. was bailed out by the New York Fed, that same week, BlackRock was again brought into the company—this time to evaluate and advise the government on what to do with the $100 billion of A.I.G. assets, including the now infamous credit-default-swap portfolio that the Fed had taken over. For several months, BlackRock would have two teams working inside A.I.G.—one working for the company's management, the other for the Fed. It was a situation so rife with potential conflicts of interest, says Charles Hallac, that for a while neither team was told about the other. By then, BlackRock had already been hired to monitor the troubled portfolios of Fannie Mae and Freddie Mac. In December 2008, BlackRock would get yet another contract from the New York Fed, this time to value $301 billion of Citigroup's loans and securities, most of which the U.S. government guaranteed against losses as part of its bailout of the giant bank.

he waterfall of government contracts attracted attention almost immediately. But when asked by members of Congress to explain what BlackRock was being paid and why it was selected without any competitive bidding, Fed officials, and Geithner in particular, revealed

To virtually nothing. Geithner said that there had been no time to solicit bids from other companies and that BlackRock had been chosen because "the interest of the American taxpayer would be best served." When Senators Max Baucus and Charles Grassley asked to see BlackRock's contracts, Geithner responded with a letter telling them they were welcome to do so—if they were willing to come to New York to view them in private. When pressed both by members of Congress and by the media for details about BlackRock's fees, the Fed refused, claiming that BlackRock insisted they remain confidential because it had given the government a discount. But BlackRock claims this was not the case. "We've encouraged the Fed to make them public, from the beginning," says Hallac.

Under pressure, the Fed eventually did release BlackRock's contracts. Because they are based on an extremely complex payment schedule, it is difficult to gauge exactly how much BlackRock is making, but it appears to be in the neighborhood of $200 million for the first three years of work on the A.I.G. and Bear Stearns portfolios. For two months' work on the Citigroup portfolio, the firm made $12 million, according to its contract with the Fed—although BlackRock says it worked for two additional months for free. BlackRock does not disclose the fees it charges its other clients, so it's impossible to know if the U.S. taxpayer is, as Geithner claimed, getting a discount. But, some bankers say, the fees are inconsequential. "Larry would have taken those contracts for nothing," says one financier. "It's about the brand, the stature and the new business that flows from that. You couldn't put a price on how valuable those contracts are."

In the Traffic

There is little doubt among the financial establishment in Washington and on Wall Street that BlackRock was the best choice to handle the government's problems. But the firm also benefited from a conspicuous lack of competitors. Some Wall Street banks—most notably Goldman Sachs—had the capacity to do these jobs, but there was no way, says Ken Wilson, that they would have been awarded so many contracts. A former Goldman banker himself, like Paulson, Wilson says that neither the Fed nor the Treasury could have awarded numerous government contracts to firms that were taking tarp money, or to one where so many top Treasury officials had recently worked. While there were other large money managers—including Western Asset Management Company and Pacific Investment Management Company—that could have handled some of the government's work, they did not have as wide a range of expertise as BlackRock.

That Larry Fink was "in the traffic"—that he had long-standing relationships with all the players involved—was important but, some say, not the key issue. What is more significant, they contend, is the fact that, in a crisis of the magnitude of the 2008 meltdown, there were so many players who helped to create the mess—from banks and regulators to mortgage brokers and homeowners—but only a few with the ability to help clean it up.

As BlackRock has become perhaps too big to fail, Larry Fink's power in the world financial markets has become, to many, the more critical question. With the trillions of dollars that run through BlackRock, "a risk that needs to be considered is the impact of having so much of the global market influenced by one firm, by the perspective of one man," says a senior bank executive. And, as observers point out, despite the perception that Fink hasn't made any mistakes, there have been some major missteps. There was the strong backing of Lehman Brothers' management as the bank was imploding, kicked off by BlackRock's purchase of a large block of Lehman stock at $28 a share, three months before the firm went bankrupt. And shortly after Bear Stearns collapsed, Fink advised investors to put their money into riskier, high-yield debt, just before that market tanked. BlackRock, as Janet Tavakoli points out, also contributed its share to the toxic-asset morass—with close to $8 billion of collateralized-debt-obligation deals that defaulted in 2007 and 2008.

But BlackRock's most public and costly mistake—for its clients, at least—was its purchase of the iconic Manhattan housing complex Stuyvesant Town and Peter Cooper Village, a $5.4 billion deal that went into default in early January. Even in 2006, when BlackRock and the New York development company Tishman Speyer bought the 80-acre collection of 110 buildings in the largest residential-real-estate transaction in U.S. history, the price they paid, says Craig Leupold, the president of GreenStreet Advisors, was regarded as "surprisingly high. Everything would have had to have gone right for this deal to have made sense in any sort of short-term—say, 10 years—investment horizon."

Shortly after the default, BlackRock and Tishman walked away from the deal, handing the property over to their creditors, in what was widely perceived as an acknowledgment that they would never recoup their investment. Today, the investors who bought equity in the deal have also lost their money, including major BlackRock clients—most notably the $200 billion California Pension and Retirement System (calpers), the nation's largest pension fund, which effectively lost $500 million. At press time, calpers was weighing whether or

not to retain BlackRock as a real-estate adviser.

At the mention of these blunders, Fink, who has been sprawled in his chair, suddenly stiffens. His voice takes on a harsh tone that is leavened only by his visible anxiety. "When you manage money, you are going to make mistakes. You are not going to be 100 percent perfect. Our job is to minimize those problems, to cauterize them," Fink says, his voice rising. "We're not perfect, and I've *never* said to anyone that we are going to be perfect. Our investors had all the information we did and they did their own due diligence." He exhales deeply. "Our real-estate division is struggling because of bad performance, and we're making changes. I don't care if the whole industry blew up, our job is to do better than the industry, and we didn't in real estate," he says. "I am not making excuses. I lose *sleep* over these problems." The Stuyvesant Town loss was "an embarrassment," he says. Then his voice drops to a whisper. "I mean, my mother gets her pension from calpers."

The emotional intensity of his reaction is startling in a man who runs a global, multi-trillion-dollar firm, with 8,500 employees and a market capitalization in mid-February of around $40 billion. But Fink put his entire being into BlackRock, says one financier. "It's his life and identity." If BlackRock's missteps rattle Fink so badly, it is partly, friends say, because of the past. Indeed, some are struck by the symbolism of Fink's recent decision to move BlackRock's executive offices, including his own, into the building—and just one floor above—where he had worked as a trader at First Boston.

Revenge may be too strong a word to describe what has propelled Fink, but there is certainly an edge to how he speaks about Wall Street. He makes no secret of his distrust of Goldman Sachs—"He hates Goldman," says one former Goldman partner—and, indeed, although he uses the firm for trading, he does not use them for investment banking. He has a "moral issue" with Wall Street's huge bonuses this year, questioning whether the money should have been plowed back into the economy in the form of loans, or given to shareholders. Privately, he has railed against banks' massive lobbying campaigns to kill financial re-regulation and has said it would be sinful if they were to succeed.

A "lifelong Democrat," Fink can sometimes sound like a populist, which he is not. While he does not believe that the government bailout in 2008 was "fair"—"everyone benefited, but a few firms benefited disproportionately"—he also roundly endorses both Paulson and Geithner, who, he says, "will come out in history as two of our best Treasury secretaries." Part of the public's rage at Wall Street today is driven by the need "to externalize the enemy," he says. "But I don't like pointing fingers, because I feel it was the culture of America that was guilty. We were living fat and happy and the whole system was one of excess speculation and leverage. Maybe, getting back to knowing your risk—as happened to me at First Boston—we should have all been asking *why* people were making so much money."

The insider and the outsider: Larry Fink has walked the fine line between the two for years, and BlackRock's enormous power and success owe much to this high-wire act. Friends maintain that he is intensely driven to be seen as important. But not just important, more like the man in the white hat, coming to the rescue. Although he insists, "I don't have the skill set to be the next Treasury secretary"—which isn't exactly a "no"—in the hallways of power, if there is indeed an American oligarchy today, it does seem as if Larry Fink wants to be the good oligarch. Which would be the ultimate high-wire act.