

Breakfast with BlackRock & Co.

[Jens Berger, editor of the popular progressive German Website "NachDenkSeiten", has just published an eye-opening book on the power of the three asset management giants BlackRock, Vanguard and State Street \(in German\). I have obtained permission to publish the first chapter as an appetizer, which translates as "Breakfast with BlackRock & Co."....](#)

Jens Berger: "Wer schützt die Welt vor den Konzernen?"

1. Breakfast with BlackRock & Co.

(My own translation)

It is 6.30 a.m in Germany. The alarm clock rings. First take a shower. The Ax shower gel comes from the Dutch-British group Unilever. Its largest shareholder is the financial group BlackRock. The water comes from the municipal utilities, in which the French company Veolia holds a majority stake, whose second largest shareholder is also BlackRock. Brushed my teeth. The toothpaste of the Colgate brand comes from the US company Colgate-Palmolive, whose largest shareholders are the financial groups Vanguard, BlackRock and State Street - together they own more than 22 percent of the company.

Put on the Levis brand jeans, Ralph Lauren's polo shirt and slip on the Adidas sneakers. The largest shareholders of Levi Strauss & Co. are Price (T.Rowe) Associates and Vanguard. At Ralph Lauren Corp. they are Vanguard and BlackRock, and BlackRock is the second largest shareholder in the German company Adidas.

And now a quick bowl of cornflakes. BlackRock, Vanguard and State Street are also among the top five shareholders of the American Kellogg Company. By the way, the situation is very similar with the competition from the Swiss Nestlé Group.

Quickly checked again on my iPhone for what's new on Facebook and Twitter - Vanguard and BlackRock are the largest shareholders in all three companies. Now feed the dog - the dog food from Eukanuba comes from Procter & Gamble, the largest shareholders are Vanguard, BlackRock and State Street. And before going to the office, a smoothie is quickly drunk - the smoothie maker Innocent is part of the Coca Cola Company, in which the financial groups Berkshire Hathaway, Vanguard, BlackRock and State Street are the largest shareholders.

The list could go on and on and affects the entire value chain. The cereals for the cornflakes may come from the world's leading agricultural multinational Pioneer Natural Resources (Vanguard, BlackRock and State Street), were harvested with agricultural machinery from the world market leader AGCO Corporation (Vanguard and BlackRock), with the world's leading shipping company A.P. Moeller-Maersk (Vanguard and BlackRock) transported to the factory in a Hyundai Heavy (Vanguard and BlackRock) container freighter, packed in a cardboard box from the paper giant Stora Enso (Vanguard and BlackRock) and bought in a Metro AG supermarket (Vanguard and BlackRock).

This oligopoly of ownership often spans an entire industry. Whether Deutsche Post, DHL, Fedex or UPS bring you the package - BlackRock and Vanguard are among the largest shareholders in all of these companies. Whether you use your smartphone to make calls over D1, D2 or O2 - these financial groups are also among the largest shareholders at Deutsche Telekom, Vodafone and Telefónica.

Money and more

Blog by Norbert Häring
<https://norberthaering.de>

From Aareal Bank (BlackRock) to veterinary medicine manufacturer Zoetis (BlackRock and Vanguard), German stock corporations are firmly in the hands of the financial groups. Nobody owns more shares in German companies than BlackRock. It looks the same in France, Italy and the UK. In the US, however, BlackRock is "only" the number two behind Vanguard.

In the language of the financial markets, financial groups like BlackRock or Vanguard are referred to as institutional investors. Investment funds, hedge funds, banks and insurance companies complete this group. Taken together, according to a recent study by the Harvard Business Review, they own 80 percent of all shares in the largest public companies in the United States listed in the S&P 500 Index.

The largest shareholder in 88 percent of the S&P 500 companies is either BlackRock, State Street or Vanguard. BlackRock alone holds more shares in Alphabet (Google) than Sergey Brin. Together with its competitor Vanguard, BlackRock also holds more shares in Amazon than Jeff Bezos and around 25 times as many shares in Apple as the entire Apple board of directors. BlackRock, Vanguard and State Street also hold more shares in Facebook than Mark Zuckerberg.

The financial corporations are also the largest shareholders in the large defense companies, the banks and big oil, and are therefore leading the way. It is not the top management that is constantly present in the media that drives the largest and most powerful corporations in the world, but powerful financial corporations. Given this level of power and concentration, it's amazing how little is reported about BlackRock, State Street, and Vanguard, and how little is known about the interests and goals of this giant. Who are these corporations and what are these giants' goals?

With such a thin reporting, it is not surprising that there are numerous rumors that persist. BlackRock and Co. are often incorrectly referred to as hedge funds or locusts. The self-designation of these groups is simply asset managers, which is quite an understatement. Indeed, wealth management is the core business of these groups. However, the sums involved are beyond imagination. BlackRock currently manages \$ 6.85 trillion, Vanguard \$ 5.6 trillion and State Street \$ 2.51 trillion. Together, that's about \$ 15 trillion, 15,000,000,000,000. That's about \$ 2,000 per capita of the world's population - from newborns in Rwanda to old women in Japan.

Of course, this money does not belong to BlackRock and Co. It is customer deposits. The money comes from pension funds that manage, for example, the retirement savings for New York teachers or California police officers. It comes from sovereign wealth funds through which, among other things, the oil-exporting countries of the Middle East invest their foreign exchange earnings on the capital market and provide for the period after oil. And it comes from individuals with often very large wealth.

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The steady flows of capital into these companies are fueled by an economic system that is colloquially called neoliberalism. The state is increasingly withdrawing from public services globally and leaving it up to its citizens to provide for old age. They also have to save for tuition fees for children and grandchildren, as the costs of college and university education are no longer borne by the state.

Private health insurance works on the principle that the premiums that the insured pay in younger years "earn" interest on the capital markets and that the higher health costs in old age can then be financed by the capital stock that has been formed. Until then, the funds have to be invested. Currently, global contributions of € 3.6 trillion flow into property and life insurance each year; in 2027, insurers predict that it will be € 6.8 trillion. This is the fuel that keeps the gigantic wealth managers running, and there is no end in sight to their growth.

The business models of these gigantic financial corporations are diverse. Number two, Vanguard, is largely limited to asset management and is even organized as a cooperative; the giant belongs to its own customers and is not primarily geared towards generating profits, but works on the principle of cost recovery. If profits are made, they are passed on to the customers in the form of reduced administrative costs.

BlackRock and State Street, on the other hand, are joint stock companies that strive to generate profits and distribute dividends to their shareholders and bonuses to management. However, most of the shares are owned by BlackRock and State Street themselves, so decision-making power and control remain in their hands.

While at Vanguard the definition of an asset manager still applies, - even if it is an absurdly large one - it no longer applies to BlackRock. Here the boundaries between an asset manager and a hedge fund are becoming increasingly blurred. BlackRock's core business continues to be fiduciary asset management for its clients. But in order to achieve this goal, BlackRock operates a host of actively managed investment funds that not only trade in stocks and bonds, but also in all kinds of financial products. The fluid boundaries between an investment fund and a hedge fund are often crossed.

BlackRock could therefore best be described as a shadow bank. According to the Bundesbank's definition, shadow banks are »those actors and activities in the financial markets [...] that perform bank-like functions (especially in the lending process) but are not banks and therefore not subject to regulations for credit institutions«. This applies to BlackRock.

In addition to asset management, BlackRock has specialized in other areas of activity in the financial system. The Luminex trading platform, operated by a consortium around BlackRock, is one of the largest and most important "dark pools" of the financial system - an internal trading center for all types of securities that are outside public regulation and are only available to a select group of customers. BlackRock acts as an intermediary between private borrowers and lenders through its Private Credit division.

Other divisions have specialized in consultancy. The BlackRock Solutions division advises states and central

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banks on issues that have a significant influence on the funds operated by BlackRock itself. BlackRock and other financial groups use BlackRock's »Aladdin« analysis system to assess the risks of assets worth around \$ 20 trillion. Based on algorithms developed in-house, Aladdin is supposed to determine the optimal mix between risk and return opportunities. It may itself represent the greatest risk to the stability of the financial markets.

This whole system is dominated by a small group of managers who unite behind the ideology of shareholder value - what is good for the shareholder is good for the company and in the end also good for the general public.

Jens Berger: „[Wer schützt die Welt vor den Konzernen?](#) Die heimlichen Herrscher und ihre Gehilfen.“ (Who will protect the world from the corporations? The secret rulers and their helpers.) Westend. January 2020. 304 p. 22, - Euro. ISBN: 978-3864892608

See also: "[Problems of Index Fund Capitalism](#)"