

**SUPPLEMENT**

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**Discussion on the Direction  
of the Economy**



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**Discussion on the Direction of the Economy**

**The Green Face of BlackRock**

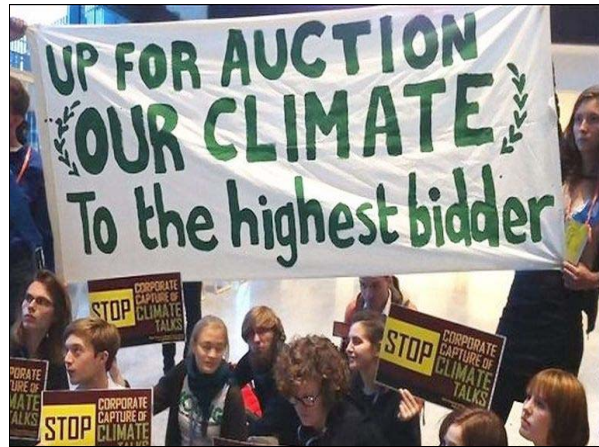
- *Peter Ewart* -

**"The Great Reset"**

At a time when youth, workers and people all over the globe have deep concerns about climate change, the environment, and the political and economic system itself, influential factions of the

global financial oligarchy are calling for a "Great Reset" of the financial system in the wake of the COVID-19 pandemic; or to put it another way a "better" or "repurposed" capitalism, one which can supposedly ensure its preservation. Such calls for a "systemic change" and a return to "stakeholder capitalism," especially in regards to climate change, are coming from various organizations of the North American and European oligarchies including the World Economic Forum,[1][2] U.S. Business Roundtable,[3] Climate Action 100+,[4] and other oligarchic bodies.

A key promoter of this thrust has been BlackRock and its CEO Larry Fink. BlackRock is the world's largest asset manager and super-cartel with substantial shares in most of the top 300 corporations in North America and Europe, and a co-owner of over 17,000 corporations and banks worldwide. Most recently it has been appointed by the U.S. government and Federal Reserve to hand out hundreds of billions of public dollars to chosen financial institutions and corporations -- many in which BlackRock has investments -- in what has been described as the largest transfer of wealth in history. The company is also a key advisor to the Bank of Canada in its corporate bailout program.



## **BlackRock Letters to CEOs and Clients**

Every year, Fink and BlackRock send out letters to CEOs of BlackRock associated companies and financial institutions, as well as other clients. In his 2018 letter to CEOs, Fink commented that "society is demanding that companies ...serve a social purpose" and that without such a purpose "no company... can achieve its full potential." He further argued that how well a company manages ESG (Environmental, Social & Corporate Governance) issues "demonstrates the leadership and good governance that is so essential to sustainable growth." [5]

This was followed up more recently with another letter to CEOs in January of 2020 titled "A fundamental reshaping of finance," [6] and which to some represents a fundamental shift of the company's focus on environmental matters to a more "green" approach. According to one analyst, this letter "sent shockwaves through corner offices" of corporations across America, given that BlackRock can exert substantial pressure through its sheer size and influence by pulling funding from companies and financial institutions that aren't toeing the line in regards to the environment,[7] as well as using other pressure tactics at its disposal. Of course, it will be BlackRock, the super-cartel and global enforcer, that ultimately decides the criteria by which such determinations will be made. Not surprisingly, some factions of the financial oligarchy, especially in the energy sector, are not happy about this development.

## **BlackRock -- "Climate Risk Is Investment Risk"**

In this letter, Fink notes that climate change has become "a defining factor" in the long-term prospects of companies, that "awareness is rapidly changing," that millions of people have taken "to the streets" and that the "evidence on climate risk is compelling investors to reassess core assumptions about modern finance." He gives examples as to how climate risk will "impact" the physical world and the global financial system. "Will cities," he asks, "be able to afford their infrastructure needs as climate risk reshapes the market for municipal bonds? What will happen to the 30-year mortgage -- a key building block of finance -- if lenders can't estimate the impact of climate risk over such a long timeline, and if there is no viable market for flood or fire insurance in impacted areas?"



According to Fink, such questions "are driving a profound reassessment of risk and asset values" and will result in "a significant reallocation of capital." In that regard, BlackRock's responsibility is "to help clients navigate this transition." His conclusion is that "sustainability and climate-integrated portfolios can provide better risk-adjusted returns to investors" and that "sustainable investing is the strongest foundation for client portfolios going forward." In other words, "climate risk is investment risk" and a "green" and "sustainable" focus will result in better financial outcomes for investors. Thus the logic of his argument is caught up entirely in the framework of making a profit for BlackRock and its clients. However, Fink does not explain what will happen to this "green" focus if realizing a profit is no longer possible. Nor does he explain that it is the same relentless pursuit of maximum profit in the past by the oligarchy, and which is inherent in

the financial system, that has created today's environmental problems in the first place. Fink himself has been a big advocate of deregulation which many believe has allowed financial institutions to run wild over the years and corporations to pollute indiscriminately.

### **BlackRock and Stakeholders**

In any case, to achieve long-term profits, Fink argues that a company must consider "the needs of a broad range of stakeholders." He gives a number of negative examples including "a pharmaceutical company that hikes prices ruthlessly, a mining company that shortchanges safety, a bank that fails to respect its clients -- these companies may maximize returns in the short term." But, he argues, "as we have seen again and again, actions that damage society will catch up with a company and destroy shareholder value." He goes on to say that, "by contrast, a strong sense of purpose and a commitment to stakeholders helps a company connect more deeply to its customers and adjust to the changing demands of society" and that "ultimately, purpose is the engine of long-term profitability."

In a third letter issued to clients in 2020,[8] this time from BlackRock's Global Executive Committee, the claim is repeated that "sustainability-integrated portfolios can provide better risk-adjusted returns to investors," and that includes "striving for more stable and higher long-term returns." In a recent report, BlackRock defines sustainable investing as "combining traditional investing with environmental, social and governance-related (ESG) insights to improve long-term outcomes for our clients." [9] It further claims that during this year's economic downturn ESG-titled portfolios outperformed their non-sustainable counterparts and this promises to be a growing trend, i.e. it is "a long transition just getting started." This "dynamic" is expected to accelerate, Larry Fink says, "as the next generation takes the helm of government and business." [10]

### **BlackRock and "Sustainability"**

To move the process forward, BlackRock claims to make "sustainability" its standard building block in client investment portfolios, whether through its passive investment programs (such as

index funds) or its active investment programs, which include mutual funds and which feature portfolio managers. In that regard, BlackRock currently offers more than 150 sustainable funds and investment instruments for its clients.[11]

The firm also claims that it will reduce ESG risk in its active investment strategies, such as cutting back or ending investments in thermal coal producers, while at the same time expanding investments that "support the transition to a low-carbon economy." As part of its stewardship, BlackRock aims to hold client companies to account through proxy voting and other pressure tactics regarding how well they are disclosing and managing sustainability-related risks and how transparent they are in their stewardship practices. So far this year, according to news reports, BlackRock has taken material actions against management at 53 companies (mostly energy related) over climate concerns. These actions included "siding with shareholders on their proposals, voting against board members and raising governance concerns." In addition, BlackRock has put another 244 companies on notice for making "insufficient progress integrating climate risk into their business models or disclosures." [12]

According to the second 2020 letter, Fink says that BlackRock, working with other index providers, plans to expand and improve sustainable index investment instruments, adding to those that the company already has in place. At the same time, the corporation believes that many clients will continue to prefer "traditional" investment strategies. It also recognizes that "while the low-carbon transition is well underway, the technological and economic realities mean that the transition will take decades" and that "global economic development, particularly in emerging markets, will continue to rely on hydrocarbons for a number of years." As a result, the portfolios it manages "will continue to hold exposures to the hydrocarbon economy as the transition advances."

### **BlackRock -- "Having its Cake and Eating It Too"**

And so it is that BlackRock aims to have it both ways, to have its cake and eat it too. It wants to appear to be addressing the demands of youth and other sections of the people for climate change solutions, but to do so in ways that are profitable for BlackRock and its clients -- in spite of the fact these will end up perpetuating the problem. The company pulls this off by appearing to take action against some polluters, such as thermal coal, as well as providing sustainable funds for "green investments" for environmentally conscious investors. But, while doing so, it pledges to continue to provide investment vehicles and support for many years to come for chosen polluters in the oil & gas sector. Thus it will amass profit from both the "green" side and the "polluter" side of the equation.

And the same configuration holds true in other ESG areas like war production. BlackRock will now be providing investment "baseline screens" which will allow investors to put money in BlackRock managed funds which screen out companies that manufacture controversial weaponry like landmines, cluster bombs and depleted uranium.[13] All the while, with other "less clean" funds and investments, it will be continuing to support major weapons manufacturers like Boeing, Lockheed Martin, and Northrop Grumman. As one critic put it: "Funding war and the nuclear arms race, or promoting social responsibility? It's not possible to do both at the same time." [14]

### **BlackRock's Terrible Record**

Indeed, there is a savage irony in BlackRock presenting itself as a "green" or "progressive" force on the world stage. For many critics, the super-cartel has a terrible record in regards to climate change, as well as on environmental and other social issues in general. For decades, BlackRock has been a top global investor in major polluting industries and war production companies, and has operated as a huge cartel with other asset managers and financial institutions. In that regard, it has one of the worst corporate voting records on climate issues. Between 2015 and 2019,

BlackRock opposed more than 80 per cent of climate change-related motions at fossil fuel companies in which it has a stake.<sup>[15]</sup> As a result, some environmental groups have labelled BlackRock as the "biggest driver of climate destruction on the planet" and its sustainable initiatives as nothing more than "green wash."<sup>[16]</sup>

## **"A License to Operate"**

On June 23 and 24, BlackRock convened its first Global Summit focused on sustainability which attracted 3,000 "investment professionals" from 60 countries. At that Summit, Larry Fink was interviewed and revealed some of the rationale behind BlackRock's recent adoption of its "green face." In the course of the interview, he expressed the worries and concerns of the global oligarchs about the stability of the financial system and their need to head off any threats to it. For example, Fink stated that "in this period of time where globalization is being questioned and we are seeing more nationalism in every country, for multinational companies more than ever before, we are going to have to prove that we deserve a license to operate in every country we are working in and ... prove [to] every society that we are doing the best we can."<sup>[17]</sup>

## **BlackRock and P3s**

In the above interview, Fink indicated that global oligarchs like BlackRock will be prioritizing "public-private partnerships" (P3s), as the path forward in addressing climate change and other ESG issues. Instead of government using public funds to finance the infrastructure that is needed to address climate change, Fink argues that private corporations like BlackRock and others should finance and manage such projects using the large pools of private funding available. He phrased this to sound as if the financial oligarchs will be carrying out this investment to "help" government and, by extension, society itself. He claims that this "help" will free up government to invest in other ESG projects, such as anti-racism campaigns, solar energy installations, etc. According to him, P3s should be at the top of every government's agenda, whether federal, provincial or municipal. However, he did not explain that P3s are "pay the rich" schemes that result in the privatization of public infrastructure and higher costs of construction, as well as increased taxes, tolls and user fees imposed on the population. P3s are one of the main means by which the global oligarchs are swallowing up and taking over the operations of the state in many countries. In that regard, the "progressive" oligarch Fink is known for pushing for the privatization of the entire social security system in the US.

## **A Thing Cannot Escape its Essence**

What is left unsaid in Fink's remarks is that BlackRock and the globalized oligarchs do not want youth, workers and other sections of the people to have their own agenda on climate change and other social and political issues, but rather to give up their agenda and line up behind the program of the global oligarchs who trumpet a "reset" and "stakeholder" capitalism. What has been the main cause of global environmental and other problems has now magically become the solution.

But a thing cannot escape its essence, no matter how much "resetting" or "greenwashing" is attempted, and no matter whether it is BlackRock or the financial system itself.

For further information on BlackRock see [TML Weekly June 13, 2020](#).

### **Notes**

1. "Why we need the 'Davos Manifesto' for a better kind of capitalism," Klaus Schwab.
2. "The Great Reset: A unique twin summit to begin 2021."

3. Business Roundtable, "Statement on the purpose of a corporation," June 14, 2020.
4. Climate Action 100+, [Global investors driving business transition](#).
5. "BlackRock's 2018 CEO letter: A new 'sense of purpose' for corporate America?" Lexology, January 24, 2018.
6. "A fundamental reshaping of finance," Larry Fink, BlackRock, January 2020.
7. "BlackRock C.E.O. Larry Fink: Climate crisis will reshape finance," Andrew Ross Sorkin, *New York Times*, January 14, 2020.
8. BlackRock's Global Executive Committee, "Sustainability as BlackRock's new standard for investing," January 2020.
9. BlackRock, "Sustainable investing: resilience amid uncertainty," 2020.
10. "BlackRock C.E.O. Larry Fink: Climate crisis will reshape finance," Andrew Ross Sorkin, *New York Times*, January 14, 2020.
11. BlackRock, "BlackRock hosts Global Summit focused on sustainability," July 8, 2020.
12. "BlackRock voted against management at 53 companies over climate concerns," Declan Harty, S&P Global, July 14, 2020.
13. BlackRock, "BlackRock's baseline screens in Europe, Middle East and Africa."
14. "BlackRock: Funding war, preaching social responsibility," William Hartung, Medium.com, May 11, 2018.
15. "Activists respond to BlackRock's climate change investment strategy: 'There are questions left unanswered,'" Emma Newburger, CNBC, January 16, 2020.
16. *Wikipedia*, "BlackRock," accessed May 26, 2020.
17. "A conversation with Larry Fink: A fundamental reshaping of finance," Francine Lacqua, from the BlackRock Global Summit 2020, Bloomberg TV.

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### For Your Information

## **New Self-Serving Definition of "Fundamental Corporate Commitment"**

In August of 2019, the U.S. Business Roundtable, made up of nearly 200 of the country's largest corporations and banks, issued a new "Statement on the purpose of a corporation."<sup>[1]</sup> For a number of decades, the Business Roundtable has endorsed principles of shareholder primacy -- that corporations exist principally to serve shareholders. In this, they were following the dictum of the economist Milton Friedman that "the one and only social responsibility of business ... is to increase profits."

However, the Business Roundtable appears to have changed its tune. In the Preamble to the new statement, it now claims that the language of the old one regarding responsibility "does not

accurately describe the ways in which we and our fellow CEOs endeavor every day to create value for all our stakeholders, whose long-term interests are inseparable." It goes on to say that "While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders," i.e. not just shareholders.

In the statement, the CEOs, who represent many of the biggest corporations in the U.S. such as BlackRock, Vanguard, Apple, American Express, Lockheed Martin, Goldman Sachs, Walmart, Bechtel, Boeing, and Exxon, and others, now pledge commitment to a range of "stakeholders" by "delivering value to our customers ... investing in employees [which] starts with compensating them fairly and providing important benefits ... dealing fairly and ethically with our suppliers ... supporting the communities in which we work ... protect[ing] the environment by embracing sustainable practices across our businesses." And, at the very end of the list, is "generating long-term value for shareholders."

Indeed, there have been various phases over the last 100+ years as to how the oligarchs have described their purpose, depending on the arrangements necessary at the time to advance their interests and the "spin" that goes along with it. For these CEO proponents of American pragmatic theory, there is no objective reality. Truth is what "works" in their interest and, to them, reality is only a construct. Thus the financial oligarchy can conjure up new "realities" about the aims and purpose of their enterprises. But once one of these realities stops producing the results they desire, another must be substituted in order to continue to advance their interest. Thus the Business Roundtable CEOs can claim with all certainty one year that their rapacious monopolies serve only shareholders and now say they serve "stakeholders" including workers, suppliers, communities and so on.

For these CEO proponents of American pragmatic theory, there is no objective reality. Truth is what "works" in their interest and, to them, reality is only a construct. Thus the financial oligarchy can conjure up new "realities" about the aims and purpose of their enterprises. But once one of these realities stops working or is discredited another must be substituted in order to continue to advance their interest. Thus the Business Roundtable CEOs can claim with all certainty one year that their rapacious monopolies serve only shareholders. Yet the next year, the leopard spots magically change, and the monopolies claim to "create value" for a range of stakeholders which includes workers, suppliers, communities and so on.

Besides obscuring that it is the working people acting on nature who create all new value, what this pragmatic thinking and demagoguery covers up is that the current financial oligarchy has had two fundamental aims since the rise of the monopoly capitalist system and imperialism at the beginning of the 20th century. These are: 1) striving for maximum profits by whatever means necessary; 2) preserving, maintaining and expanding their exploitive system, both nationally and internationally.

Why are these CEOs resetting their avowed purpose now? When Milton Friedman's dictum of shareholder primacy was adopted back in the 1980s and '90s, this was actually a time when the financial oligarchy had launched a renewed offensive against the workers and people of the U.S., Canada and the world using neo-liberal dogmas, like the claim of shareholder primacy, as justification to slash wages and pensions, privatize public institutions, cut social programs, and other anti-social behavior. "Greed is good," was a Friedman-like mantra of that time and pursuit of private interest was presented as the highest virtue.

Today, in 2020, the financial oligarchy is also on a renewed offensive, but the conditions are different than the 1980s. In order to achieve maximum profits and preserve the system, it must further loot the huge reservoir of social wealth created by working people in the U.S. and abroad. This looting has been going on in direct and indirect ways since the rise of monopoly capitalism many decades ago. But in the wake of the 2008 financial crisis and now the COVID-19 debacle, it

has been ramped up to an unprecedented degree.

Herein lies the dilemma for the Business Roundtable CEOs. How can they justify following the Friedman dictum of being only responsible to their wealthy shareholders, yet going, year after year, with outstretched palms to demand literally trillions of dollars from the public purse? No, the CEOs must now proclaim that they have found a new "social responsibility" to all the "stakeholders" in society; and thus, in turn, the implication is that society must be prepared to permanently backstop the big banks and corporations with trillions of public funds, through bailouts, public-private partnerships, privatizations, subsidies, tax cuts and other means.

The Roundtable's statement lies within the recent thrust of the Davos World Economic Forum to push for "stakeholder capitalism" and a "better kind of capitalism." The billionaires of Davos want all of civil society to fall in line behind their agenda, as do the CEOs of the Roundtable. Above all, they do not want an alternative agenda to develop that is put forward by an empowered working class and people. Despite all their talk about "social responsibility," the oligarchs continue unabated to exploit the very "stakeholders" they claim to be serving.

The leopard has not and cannot change its spots.

### Note

1. "Statement on the purpose of a corporation," Business Roundtable, June 14, 2020.

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## The Neo-Liberal Definition of a "Stakeholder"

*The definition of a "stakeholder" is recycled from the days of Tony Blair when he spread the "Third Way" thesis of a "stakeholder society" to hook the people onto the illusion that somehow they have a say on the decisions which affect their lives.*

*Reproduced below is an extract of an article published by Workers' Forum in 1997 titled "What is a Stakeholder?"*

[...] According to this vulgar materialism, society is not composed of classes but of "stakeholders." The motive force for development is not the class struggle but the seeking of a "balance" between these disparate "stakeholders." At the level of an enterprise or a sector such as education or health care, all human beings are presented as stakeholders. Class differences vanish before the commonness of being a "stakeholder."

The problem, of course, is that only the bourgeoisie can have a stake in capitalism but it cleverly wants to convince the working class and people that they also have a stake in capitalism. In fact, the only stake the working class has in capitalism is to overthrow it and build socialism. It matters little to the working class that there are those who do have a stake in capitalism: stockholders, management, certain consumers and customers, suppliers, governments, big business and the enterprises of big labour. A worker





knows instinctively that all of the above have a stake in the capitalist system that they wish to defend. They all merge and form the "unity of stakeholders" according to the logic being advanced by the ideologues of the bourgeoisie at this time.

A worker also knows instinctively that these "stakeholders" work together with the aim of creating "values" in an enterprise from which they profit, while on a grander scale they work together to restructure the entire society to fit their schemes of being competitive in the global market.

Workers are supposed to forget all this, even though they realize it instinctively. Against all logic, they are supposed to declare themselves as "stakeholders" in the capitalist system. The capitalist system, which develops through the violent destruction of the productive forces and has created an ever-increasing standing army of unemployed and an exploding number of poor, is now supposedly going to help a worker because that worker has become a "stakeholder" in capitalism! They are supposed to abandon class struggle and deny class antagonisms; they are to believe that everything will be looked after when a "balance" is struck between various "stakeholders."



The bourgeoisie applies the same logic to the attempt to get teachers, parents and others to declare themselves "stakeholders" as concerns education; or doctors, nurses and hospital personnel as concerns the health care system, and so on. As stakeholders, parents are supposed to support the deficit-reduction targets and "pitch in" to make all the changes work smoothly -- all for the sake of the future of their children and society. The aim of the bourgeoisie and its governments to completely destroy the system of public education or public health is supposed to be accepted by the people under the hoax that they too are "stakeholders." If they do not do "their bit" to achieve the "balance" between the various "stakeholders," then they are branded as troublemakers, or those who "do

not want a bright future for society." Every attempt is made to isolate them.

The intent of this thesis is to make sure that there is an alliance at the base of society of workers and capitalists alike in whose interest it will be to defend the capitalist system and go to bat for the bourgeoisie in its campaign to restructure everything so as to make Canada "the greatest country in the world in which to live". This is a euphemism for making the Canadian bourgeoisie competitive on global markets so that it can realize maximum capitalist profit.

Instead of contributing to setting a new direction for the economy, the working class is supposed to keep busy defending the very system that is the root of its exploitation and oppression. Instead of developing antagonism against private property and the exploitation of persons by persons, the workers are supposed to develop antagonism against those who wage the class struggle against the capitalist system and to open society's path to progress.

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