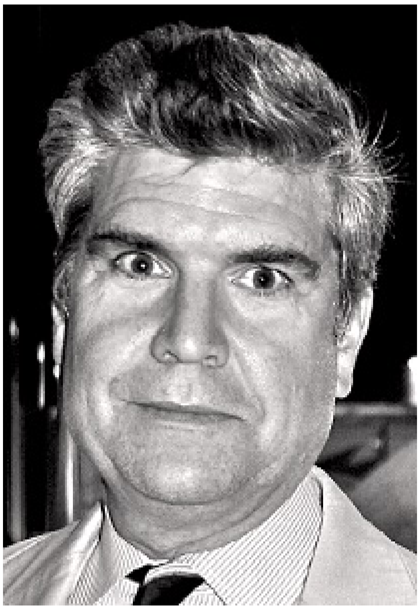
Wall Street's Reputation Redemption Strategists: Fink and Dimon



By Pen Pendleton

The blackened reputation of "Too Big To Fail" institutions may be on the verge of a facelift. Given the level of public scorn, political abuse, and regulatory backlash prompted by the financial crisis, it's nearly impossible to imagine a scenario that restores the credibility of banks, investment banks, and wealthy fund managers.

If anyone can come up with a new script for a big business version of "Extreme Makeover" however, it's President-elect Trump. He seems to be setting the stage with his cabinet member and senior advisor selections. An odd collection of financial professionals, including three former Goldman Sachs' bankers, Steven Mnuchin, Gary Cohn, and Stephen Bannon, are serving as a welcoming committee.

Entering through the front door with a long line of other prominent names, are two of the most widely known industry leaders who could secure at least a measure of redemption: Larry Fink and Jamie Dimon, CEOs of Blackrock and JP Morgan, respectively.

Dimon is the newest chairman of the Business Roundtable and Fink has accepted the President-elect's invitation to join a 16-member Presidential Strategic and Policy Forum, headed by Blackstone CEO, Steven Schwartzman. As two of the industry's most articulate messengers, Fink and Dimon may be best equipped to help turn the page to a new, more positive chapter of the industry's narrative.

Of the two, Dimon has a unique brand to preserve and protect. J.P. Morgan's legacy in financial statecraft reaches back to late 19th and early 20th centuries when the bank served as the de facto U.S. central bank. Like his predecessors, Dimon has an opportunity to speak forcefully on behalf of broad American business interests. In the process, he can reposition banks as legitimate enablers of increased capital spending and job creation by their corporate clients. Certainly that's a more productive conversation for Dimon than discussions about "London Whales" or mortgage foreclosures.

Mr. Fink may have the upper hand on Dimon, however. Blackrock's business model carries none of the heavy baggage of the financial crisis. Fink has engineered phenomenal growth over the years, while his counterparts in commercial and investment banking have struggled to shed trading businesses that are as unprofitable as they are unpopular. By contrast, Blackrock has amassed over $5 trillion in assets, a huge claim on Americans' retirement savings. For a citizenry worried about their share of public and private pension monies, few issues appeal more directly to our hearts and minds. As such, Blackrock's business model is pristinely non-partisan and Fink's track record is untarnished.

When it comes to advocating industry interests on the public stage, Dimon and Fink are perhaps the only leaders who are up to the challenge. It's hard to imagine any other CEOs volunteering to take the seat before Congress, last occupied by John Sumpf.

So, if we had to write a public relations playbook for either man, what would we recommend? Here are a few suggestions:

Don’t Attack Regulation:

Some say that Morgan Stanley’s John Mack weathered the financial crisis hearings on Capitol Hill more adroitly than his counterparts seated beside him. His message: we (Wall Street) *need* regulation. More recently, Dimon seems to be borrowing that message by articulating a new appreciation for Dodd-Frank legislation. It’s one of his gifts as a leader, an ability to assuage and absorb public criticism.

Don’t Talk your Book:

To every extent possible, avoid advocating on behalf of industry interests. That’s easier said than done, but when it comes to their views on corporate tax reform, neither Fink nor Dimon will be particularly persuasive. On the other hand, they can choose to focus elsewhere; on employees, workers, and business practices that promote transparency and good governance, for example. They might also help to identify high standards of corporate behavior and persuade laggards to catch up. If they have the fortitude to call out misbehavior, especially in finance, all the more impressive. It’s a tricky communications problem, but there are some examples of success. In particular, the NY Fed has aggressively pursued a campaign to identify norms of sound corporate culture among its regulated institutions.

Explain and Educate:

Few Americans fully understand financial markets or how law makers and political policies can create volatility and risk. On these topics at least, financial leaders retain some measure of influence and credibility. To their credit, many spoke out during debates to raise the debt ceiling. Going forward, the implications of President-elect Trump’s infrastructure finance will certainly carry new risk – both on the upside and downside. Fink and Dimon would be ideal guides for the American public, and their own corporate constituencies: on this issue, as well as others that impact government spending, revenue, and the value of our nation’s credit.

To be sure, financial leaders with impeccable credentials have not helped their industry’s image in the past. Apparently, as Bill Clinton’s economic advisor, Robert Rubin failed – or never attempted – to persuade the White House that the government should discourage its agencies from buying low-quality home mortgages. On the other hand, perhaps no single banker deserves as much credit for saving our system as Henry Paulson. Sadly, he and his Goldman pedigree won very little public gratitude.

In the end, the ebb and flow of public opinion will drift with the tides of our economy. Today, as we approach a new Presidential administration, the news is getting better. Employment numbers are up, as are business and consumer confidence. It’s hard to imagine that Dimon, Fink, Mnuchian, Cohn, Bannon, or Ross will squander this chance at success, and by extension, industry redemption. But it could happen.

For example, Mr. Trump never met a junk bond he didn’t like. If his advisors want to secure their places in history, rather than purgatory, they will do the right thing and tell their boss, not to stiff his investors and, by extension, the voters.

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