

# FINANCIAL TIMES

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## VIEW FROM THE TOP

RALPH SCHLOSSTEIN, president and chief executive of Evercore

Ralph Schlosstein, 58, joined investment bank Evercore last month to replace founder Roger Altman as president and chief executive. He bought \$15m of Evercore equity upon his appointment.

Mr Schlosstein left Lehman Brothers to create money management firm BlackRock with Larry Fink in 1988. He plans to build Evercore, which focuses on the advisory business, into a more diversified firm.

Like Mr Altman, who remains as chairman at Evercore, he has worked in Washington under a Democratic president. He joined the Carter administration in 1977 after working for

### You recently joined Evercore as CEO. Why?

I've spent 28 years in financial services working with highly talented people, and Evercore has a large number of talented professionals. There is a hunger for organisations that have senior people who can provide independent advice, and where there is not proprietary activity that could be contrary to the interests of the clients.

### Has Tarp further tipped the scales in favour of boutiques?

The combination of massive losses, which have clearly affected the ability of firms to pay people, plus the uncertainties associated with government involvement make people more willing to listen to the boutique firms. Places like Goldman Sachs and Morgan Stanley will still

have talented people and play an important role with their clients. If you look at the past three or four years, though, there has been a consistent increase in the market share [of] boutiques.

### Did the end of partnerships in big Wall Street firms contribute to the financial crisis?

Any time people are investing large amounts of money that isn't their money, and they're paid on some percentage of the performance, there is a risk that we wind up with excessive risk, excessive leverage and losses that are beyond fathomable. When you add very high leverage with long-term illiquid assets, you run the risk of a catastrophe. The most important aspect is to be careful and disciplined about your use of capital.

### What about giving up Highview [a joint venture with Evercore and Stone Point Capital]?

The world had changed enough that it was going to be difficult to invest in the firms I had hoped to invest in. Hedge funds and private equity firms are real businesses. They will settle down. But I don't think you can invest in those firms for the next 12 to 24 months, because none of them can tell you how much money they'll be managing and what fees they'll be earning.

### Do you envision a future in which the really big firms perform a more utility function?

There's certainly a role for large, capital-rich organisations. Part of what you confront is that if you're an M&A banker, it's hard to get the sense that you're as

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three years as an economist for the Congressional Joint Economic Committee.

Mr Schlosstein, who counts Mr Altman and Glenn Hutchins, co-founder of Silver Lake Partners, among his fishing friends, is a Democratic fundraiser and board member for several educational and arts organisations. He and BlackRock recently launched a college scholarship programme for New York City public school students.

In a video interview with FT.com this week, Mr Schlosstein talked about partnerships on Wall Street and the outlook for the economy. Edited highlights appear below.

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### What's your view on the GM bankruptcy decision?

They're a client of the firm, and I take no credit for working on it. But we're very confident that what will emerge is a stronger, more efficient, admittedly smaller GM that will be able to compete both in this country and globally.

### How about the government's handling of the economic crisis?

They inherited a horrendous situation, the worst any president since Roosevelt has inherited. We're in truly uncharted territory, so they allocated some of the Tarp money to capital investment, some to resolving troubled assets, some to foreclosure relief, and some to the term asset-backed securities loan facility [Talf]. As a result, \$40bn to \$50bn dollars of capital has been raised. Maybe we'll rely more heavily on the public markets to provide capital and we won't need public/private investment funds as much. They deserve credit for that.

### Is the worst over?

We're still at a fragile point. We continue to need strong programmes on the part of the government. The worst thing we could do is back off quickly and declare victory. These problems are 20 years in the making.

**You've worked in Washington and on Wall Street. In the current crisis you hear diametrically opposed views.**

### Long or short?

US dollar? **Long**

Oil? **Long**

Gold? **Long**

Dick Cheney? **Always a short**

Pimco? **Long**

Goldman Sachs? **Long**

Barclays? **Probably long also**

George Soros? **Long**

Bank of America? **In the intermediate to longer term, long**

Perella Weinberg? **No**

**comment**

### Which is right?

I'm not sure excessive closeness between Washington and Wall Street was a cause of this crisis. Wall St, business in general, even members of the Democratic party argued for a free market system, and we've found that completely unbridled animal spirit has risks. There was a too laissezfaire attitude about the risks in the system, and we also have to be equally cautious about swinging too strongly in the direction of over-regulation. One of America's true competitive advantages is the liquidity and strength of our capital markets and our knowledge base in those industries.

### What's your forecast for the economy this year?

We're certainly in a bottoming process right now. The bigger question is the path of recovery. These problems have been long in their build-up, and they [will] take a while to correct.

**Julie MacIntosh and  
Christia Freeland**

