

# BLACK WEALTH MATTERS

**BACK IN MARCH, IN AN INTERVIEW WITH** the Brunswick Review, investment sage John W. Rogers, Jr. described the ongoing battle for racial equality as lacking a sense of urgency, perhaps because young Blacks had never been legally banned from white neighborhoods or legally forced to the back of the bus or legally denied entrance to schools, restaurants and “white” bathrooms.

“Among younger African American leaders, I don’t think there’s as much memory of how bad it used to be,” said Mr. Rogers, who at age 61 remembers firsthand the blatant racism that legally pervaded America before the Civil Rights Act of 1964.

**JOHN ROGERS**  
on what  
Corporate  
America  
needs to do.  
By **ANDREW**  
**SPINELLI**

A veteran crusader for racial equality, Mr. Rogers noted in March that other worthy causes such as women’s and LGBTQ rights had gained momentum even as the ongoing push for racial equality seemed to have slowed.

“In the Black community, we are very respectful of our brothers and sisters who are parts of other diverse classes that are trying to gain equality. We realize that we’re no longer the popular kid on the block,” said Mr. Rogers. “On the whole these other groups have done much better than we have done in our community. I’m not sure why that is exactly. Maybe some of it comes with the way that we came to this country as slaves and the challenges we faced



**JOHN ROGERS** is a long-time leader of the effort to open up opportunities for Black executives in the offices of Corporate America.

## JOHN ROGERS

during Jim Crow and many, many, many lynchings across our country."

In a second interview several weeks later, Mr. Rogers sounded slightly more optimistic. "I'm more encouraged than the last time we spoke," he said. "The next generation's starting to realize the world isn't as fair as they thought it was two months ago."

In those two months, Black Lives Matter had become the most visible and influential equal rights group on the planet. Massive crowds had marched on Washington, New York and other major cities to protest racism in general and police abuse of Black people in particular. Leaders of government had promised new and more forceful policies against racism, and leaders of business had donated to Black causes, bolstered their commitments to diversity and taken public stands in support of Black Lives Matter.

What precipitated this movement was the videotaped police killing in Minneapolis of an unarmed and prostrate Black man named George Floyd. So many previous police killings of Black people had been videotaped and posted on the Internet—including in Mr. Rogers' hometown of Chicago—that he didn't foresee this one triggering a revolution.

"The reaction—I didn't see it coming. Because here in Chicago, we've had so many of these, Laquan McDonald being the most horrific, where you saw the policeman just shoot 16, 17 times as Laquan was walking away.

"In this case, I think it was the fact that the police officer was calmly looking at the camera while he was killing George Floyd. The arrogance of that. And the confidence he had: 'So what if you're taking pictures of me? I can still do this.' That was what made this land."

But Mr. Rogers' optimism is tempered, in part because over time he has seen promise after promise go unfulfilled, but mostly because he understands that a total reformation of policing in America would fall short of removing the most daunting obstacle facing Black America. As the founder and Co-CEO of Ariel Investments in Chicago, Mr. Rogers is hyper-focused on economic inequality, an injustice that implicates even those who are repulsed by racism. "Dr. King once talked about the fact that progressive whites abhor prejudice, but they accept and tolerate economic injustice," said Mr. Rogers.

In the view of Mr. Rogers, economic inequality lies at the root of most problems facing Black America. "Wealth ties directly to the challenges that our community's facing," he said. "Poor housing, poor education, lack of jobs, lack of healthcare—all tie directly to wealth and lack of wealth."



Playing college basketball with Michelle Obama's brother led eventually to Mr. Rogers serving as a key financial advisor to President Obama.

**"PROBABLY LESS THAN 2% OF CORPORATE AMERICA YOU'D GIVE A HIGH GRADE FOR THEIR COMMITMENT TO DIVERSITY, INCLUSION AND ECONOMIC EQUALITY."**

## JOHN ROGERS, The Ariel Biography

**WHEN JOHN WAS 12** years old his father started buying him stocks, instead of toys, for every birthday and Christmas. His interest grew while majoring in Economics at Princeton University. In addition to following stocks as a college student, John also played basketball under Hall of Fame coach Pete Carril. He was captain of Princeton's Varsity Basketball Team his senior year. There, Carril's courtside lessons on teamwork profoundly shaped John's views of entrepreneurship and investing.

Early in his career, John earned media attention as an investment expert, including being selected as Co-Mutual Fund Manager of the Year by Sylvia Porter's Personal Finance magazine as well as an All-Star Mutual Fund Manager by USA TODAY.

Ariel Fund, which John started over 30 years ago and still

manages today, is the number-one ranked fund among its peer group since the market bottom following the Great Financial Crisis. That's a testament to John's "slow and steady" approach, staying focused, remaining true to his convictions, having a contrarian view and investing in great companies that have fallen out of favor. A disciple of Warren Buffett, John believes in being, "fearful when others are greedy and greedy when others are fearful." John has been highlighted alongside Mr. Buffett, Sir John Templeton and Ben Graham in Magnus Angenfelt's "The World's 99 Greatest Investors."

Following President Barack Obama's election, John served as co-chair for the Presidential Inaugural Committee 2009, and more recently, he joined the Barack Obama Foundation's Board of Directors.

The inequality that alarms Mr. Rogers isn't merely a historical wrong that never got corrected. It's a contemporary scourge. "Things are bad, and getting worse and worse—that's the key message," he says.

To prove that point, he points to the well-publicized fact that a four-year college degree is what separates the haves from have-nots in America. At a time of growing concern about economic inequality leading to populism and civil unrest, politicians and economists are scrambling for ways to make college more affordable or even free, touting four-year degrees as a means of lifting the masses.

But does such a degree confer benefits equally to every race in America? No, Mr. Rogers says, pointing to a little-noticed paper published in 2015 by the Federal Reserve Bank of St. Louis. Researching change in median real net worth by education level, the authors found that from 1992 through 2013, the median net worth of whites with four-year college degrees increased 86 percent. But Blacks and

Hispanics with four-year degrees saw no increase at all. The Black median decreased by 55 percent. The income picture is similar. While the incomes of college-educated whites increased 18 percent during that period, college-educated blacks saw their incomes decline by 12.1 percent.

In the view of Mr. Rogers, the problem is rooted in the deeply white traditions of Corporate America. He is a founder of the Black Corporate Directors Conference, whose mission statement notes that “even though some boards have African American and minority directors, the companies themselves are still not living up to their diversity and inclusion commitments across every level of the company.”

As a board member of McDonald’s, Nike and the New York Times, Mr. Rogers has witnessed the profound potential of corporations to nurture economic justice. “Companies like McDonald’s and Exelon have demonstrated the tremendous influence that capitalism wields to help bring about economic equality,” he said.

#### **At a moment when corporations are scrambling to show support for racial equality, are executives seeking your counsel?**

Yes, I’ve heard from both leaders of institutions I’m already engaged with, and from leaders of other companies. When they call, what I talk about is what we talk about at the Black Directors Conference—the Three Ps.

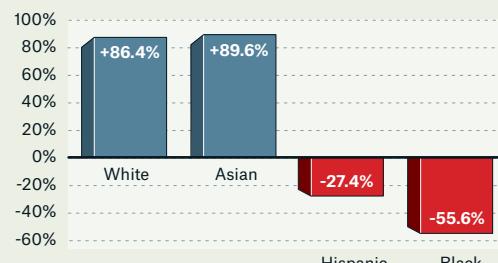
The first P is philanthropy. Your company should be contributing to civil rights organizations to make sure that they are properly funded to fight for social justice and economic justice. The second P is people. Most companies are focused on part of the people equation, in that they measure diversity in their executive ranks. But the part that we’re pushing hard is also to measure the executive ranks of their professional services firms. The law firms, the investment banks, the public relations firms, the advertising agencies, consulting firms, the insurance firms, the real estate brokerage firms—the whole ecosystem that supports major Corporate America. We should be demanding that those corporate partners have Black managing directors, Black partners, Black executives servicing the client relationships.

The third P is purchasing. As a society, we drank the supplier-diversity Kool-Aid. If you are a major corporation or nonprofit and you want to do business with a minority firm, you can use a minority supplier—a construction firm, catering firm, corporate gift firm. If well-meaning people only do business with people of color in the lowest margins, it’s

#### **Change in Median Real Net Worth between 1992 and 2013**

Conventional wisdom is that college degrees in America distinguish the haves from have nots.

##### **FOUR-YEAR COLLEGE GRADS**

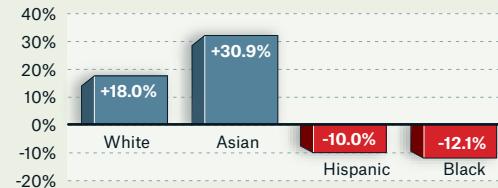


SOURCE: Federal Reserve Bank of St. Louis

#### **Change in Median Real Income between 1992 and 2013**

But research shows that wisdom doesn’t apply to minorities

##### **FOUR-YEAR COLLEGE GRADS**



SOURCE: Federal Reserve Bank of St. Louis

**Cirilo McSween, far right, was a mentor to John Rogers, who is also friends with the Rev. Jesse Jackson, far left. Both of those men fought for civil rights beside Martin Luther King, Jr., center.**



natural for African Americans to become dramatically worse off, especially over a period when our economy is based more and more on professional services, financial services and technology.

I’ve tested this out time and time again with CEOs and university CEOs. Ask them if they use minority firms, and they invariably talk about using an

African American firm when they construct a new building. They would never think about using an African American law firm, accounting firm, advertising agency. Or an African American money manager for their endowment.

We're trying to get rid of the term "supply diversity" and use the term "business diversity," as the University of Chicago does. If a corporation spent \$100 million last year on legal fees, how much went to Black firms? If \$75 million was spent on accountants, how much went to Black accounting firms?

**Does the current corporate scramble to show support for racial equality reflect a genuine and deep commitment, or a fad?**

CEOs realize they've got to do something different. The boards I'm on, I've been touching base with all of my CEOs, and they're more committed than ever to bringing about change.

Probably, though, less than 2 percent of Corporate America you'd give a high grade for their commitment on these issues.

**Is that 2 percent before the death of George Floyd, or 2 percent after?**

On the issues that I care about, maybe you can say it's recently jumped from 1 percent to 2 percent. Most of what we've seen publicly is companies talking about major donations to civil rights organizations, and that's great. But they're still going to spend all their dollars with the same companies they always have. As long as that happens, the wealth gap will just get larger and larger and larger.

If you're writing a million dollar check today to the NAACP or the Urban League, and then turn around and give a \$10 million or a \$50 million investment banking contract to a white investment banker, it's not even a close call.

At thousands and thousands of companies in this country, people just do business with people that look like them, that they grew up with, and went to school with, they're in the same country clubs with. It's human nature.

**If it's human nature, is government policy needed to drive change?**

It's hard to get anything through our divided Congress that would be perceived as affirmative action, or any support of that kind. It'd be very difficult politically to get it done. But I do think politicians have a bully pulpit. They can make a difference. If they talk to the CEOs of the anchor institutions in their districts and their states, change will happen

IF A CORPORATION SPENT  
**100 MILLION DOLLARS LAST YEAR ON LEGAL FEES, HOW MUCH WENT TO BLACK FIRMS?**

without legislation. Think about it. If you're the congressman or congresswoman in New Jersey, and you represent Princeton and Rutgers, you can push them to work with Black businesses, make them understand how important that is. And they have to be responsive, because they come to you for support and help all the time. If you're the mayor of Chicago, and you insist that all museums on park land that get direct subsidies from Chicago taxpayers do business with African Americans, that will change.

The hospitals in New York that are getting money from government during this pandemic crisis, they need help from senators. If those senators said, we're going to be giving you this money, but you need to be more inclusive, it will happen. I think government can have a major, major impact but probably not through legislation.

**Is there a danger that business reverts to usual even after a movement as powerful as this?**

After the assassination of Dr. King, after the Civil Rights legislation and a lot of progress in the '60s and '70s, we started going backwards. We've had 40 years or so of going backwards. We have to elect leaders who are going to fight for social justice.

**You've long said that the professional services industry has gone backwards in promoting diversity and inclusion. Why do you think that is?**

All kinds of academic data shows that there's an enormous amount of implicit and unconscious bias in our society. People think of African Americans as being great at music, athletics, and entertainment. They have a hard time picturing us being investment bankers or private equity leaders. It's just the reality, and we have to be aware of it if we really care about wealth building and opportunity building in our community.

There's also anti-Affirmative Action bias. A lot of us who went to elite colleges realized that our peers thought we got there as Affirmative Action babies, and we weren't as smart, therefore, as the white students. In corporate America, there's all this effort toward diversity and inclusion, so that when someone of color gets a promotion, people assume the promotion was based on race, not talent.

Those things blend together so that when you, as an African American, try to build a professional services business or practice, you are way behind the eight ball. The deck is stacked way, way against you.

So much of the economic opportunities in professional services and financial services come from your ability to bring in business and generate revenue.

Everyone knows the best way to become a partner in a law firm is to be able to bring in revenue and help pay the bills. Often, as we African Americans get into those investment banks or law firms or whatever, we don't have the network of people and families that can introduce us to CFOs and general counsels or CEOs. It's very, very difficult to overcome when you don't have that network. You didn't grow up in the same neighborhood, attend the same schools and country clubs out in the suburbs.

All of that said, I would offer this: We are reluctant to sometimes fight our battles in public settings. If you're the only African American on a board or in the executive ranks, it can be uncomfortable to bring up these issues. But if we don't bring them up, nothing changes. If you don't speak up and fight for your cause, you can't wait for the majority to speak up on your behalf. It's up to us to fight for our rights and a fairer society.

If it wasn't for Dr. King, John Lewis, Reverend Jackson, Andy Young and those progressive civil rights leaders of the '60s—Robert Kennedy, et cetera—we would've never made progress. They were willing to speak out and make people uncomfortable because they knew how unfair our society was.

When it comes to economic opportunity, we don't have enough of those types of heroes speaking out and having the courage to fight. That's what you need if you're trying to make progress. You've got to have those spokespeople and people inside corporate leadership roles to fight for justice.

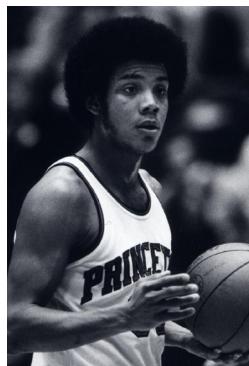
I was a Princeton trustee at a very young age. And I fought some good battles, but I was quiet more often than I should've been. My father taught me the most important thing is to live up to the commitments that you make to others. Organizations of all kinds had made direct commitments to our community, but weren't living those values. I wish I had spoken up about that more forcefully earlier and more often.

#### Have you participated in the recent protests?

I've marched many, many times over the years for different civil rights issues. But this time, the recommendation was for African American males to stay inside, to avoid getting swept up in the violence of the moment. I was proud that my daughter, who lives in New York, was out doing it. What I've been doing has been supporting my really good friends that have been fighting this battle really close up and personal.

Like Father Mike Pfleger (a Catholic social activist in Chicago), Reverend Jesse Jackson, Reverend Al Sharpton. I've been getting on the phone and giving them counsel on the wealth issue. The wealth effect

## Of Basketball & the OBAMAS



**At Princeton, Coach Carril asked me to host another young man from Chicago, Craig Robinson. The next season when I was the senior captain, Craig was a freshman. When I met his sister Michelle a couple years later, I never dreamed she would be the First Lady of the United States.**

**Craig's been a lifelong friend, and I had an extraordinary journey with Barack and Michelle. I was at his first fundraiser when he ran for State Senate. By the time he ran for president, I was cochair of his Illinois Finance Committee. After he won the election, he set up his temporary transition headquarters in our offices, and I served as the cochair of his inauguration committee.**

*Mr. Rogers, above, playing basketball for Princeton. Below, Craig Robinson beside his brother-in-law, President Barack Obama.*



is so important. It's one thing to be protesting about the unfair lending practices of a large bank, which is important. But someone needs to ask, how does that bank spend its money? If it's spending billions and billions of dollars on all white firms, that's an issue that also needs to be addressed.

#### What action would you like to see corporate leaders take to more effectively promote diversity and inclusion?

The CEO needs to make it clear to people who are important that outspokenness is encouraged and valued, especially among the few people of color in a leadership role. CEOs need to recruit African Americans to leadership roles who are going to speak out.

McDonald's did that. It went out and recruited African American franchisees. They got people who were dynamic leaders in the African American community. One of the earliest examples was a guy named Cirilo McSween. He was an Olympic runner from Panama who ended up being Dr. King's treasurer and pall bearer at his funeral.

Cirilo became known and deeply respected literally throughout the world as an African American business leader, because of his McDonald's franchises. That was the culture that Fred Turner and Ray Kroc created at McDonald's. Cirilo opened the first themed McDonald's, a restaurant in Chicago that honored heroes of the Civil Rights movement.

This was the kind of thing Cirilo did: When I went on the board of McDonald's 18 years ago, Cirilo had a huge party for me at Navy Pier (a Chicago cultural icon) to celebrate me joining the board and to introduce me to Black and white franchisees, suppliers and executives at McDonald's.

He had everyone come and honor me as a new board member to give me his blessing. And to set me up to succeed as a new board member. How brilliant was that?

#### Where does Ariel rank among African American-owned money management firms?

When we started in 1983, we were the first African American money management firm in the country's history. We were proud to be the first. Now we are the largest African American mutual fund complex. Before the pandemic-caused crash, Ariel was managing a little over \$13 billion.

#### Would you have gained more or less influence if, instead of starting your own firm, you had climbed the ranks at a firm like Goldman Sachs?

At a giant firm, I probably would not have been

successful with my kind of personality and independent streak. But it's wonderful the African American community has a Don Thompson at McDonald's. When Thompson was CEO (the first Black McDonald's CEO), he made a real difference getting suppliers to be more diverse, making more opportunities for minority business. He got the professional services firms who worked on McDonald's accounts to look more like America. He had enormous impact.

Over the years, senior African Americans at many corporations had a profound impact on our society because they had the trust of the CEO to go out and make and fight for justice. Having senior African Americans in major corporate leadership roles can have enormous impact from a hiring standpoint and in giving business to minority firms, or to majority firms that have minority talent on board.

But you have more freedom when you're an entrepreneur. And you can have impact. My favorite example is George Johnson, who created Afro Sheen and Ultra Sheen hair-care products. He started Independence Bank, which became the largest Black bank in the country. He started Soul Train with Don Cornelius. He's the biggest customer of Essence Magazine, helping those companies go from fledgling companies to superstar companies.

Forty years ago, when leaders of every race had seen the damage of systemic racism in the '60s, African American entrepreneurs and executives at large companies went out together and fought for justice.

#### **Have you paid any price for your outspokenness?**

Through your outspokenness, you may convince people to hire their first African American money management firm or their first African American mutual fund. But since you made them uncomfortable, they may say, "Anybody but John Rogers. Any firm but Ariel." We know that happens.

But there are dynamic progressive leaders who respect outspokenness, who want to know and hire people who are going to speak out and be a trusted voice and a respected voice in the Black community. I know Bob Zimmer (University of Chicago President) helped me become Vice Chairman of the University of Chicago because he has seen me speak out and be vocal on these issues.

The boards that I've had a privilege to be on, from McDonald's, to Exelon, to Nike and The New York Times, want my perspectives and views. They want me engaged in all aspects of what's going on in those institutions.

At Ariel, my advocacy for what's right has helped us to recruit dynamic, diverse talent. Once you

Mellody Hobson, right, is President and Co-CEO of Ariel Investments. Former Chairwoman of DreamWorks Animation, she is seen here with her husband, the "Star Wars" director and producer George Lucas.



**"AT THOUSANDS AND THOUSANDS OF COMPANIES IN THIS COUNTRY, PEOPLE JUST DO BUSINESS WITH PEOPLE WHO LOOK LIKE THEM."**

**ANDREW SPINELLI** is a Director in Brunswick's Chicago office.

develop a reputation for fighting for your community and then you have a leader who's in the bunker with you, like Mellody Hobson, who's a fierce advocate for the African American community and the female community, when people see the two of us fighting together, they're like, "I want to join that team."

#### **What is your response to those progressives who say that capitalism inevitably breeds inequality?**

Capitalism has always meant you're going to have more income inequality and wealth inequality than you have in a socialist system or communist system. But capitalism is the best system ever invented.

Warren Buffett says the magic of America creates so much for everyone. There has been so much progress in healthcare. People are living better lives—even people who don't live in the best housing—than people who lived 100 years ago. And it's because of the magic of our system. I'm a full believer in our capitalist democracy.

But within it, change is needed. Unlike 100 years ago, where our biggest companies were manufacturers like U.S. Steel, our biggest companies now are Bank of America, JPMorgan Chase, Google, Apple, Facebook.

Black and brown people are concentrated in the older industries, and white Americans are concentrated in the fastest growing, most profitable parts of our economy.

We've got to start to include people of color in the parts of the economy with the wealth and jobs and power of today. Otherwise, it just gets way, way worse.

#### **Will the coronavirus affect inequality in America?**

When you have so little wealth in the Black community, a hiccup of this size is devastating, absolutely devastating, for African Americans in particular, and people of color overall. ♦