

**Testimony of
John W. Rogers, Jr.
Chairman, Co-CEO, & Chief Investment Officer
Ariel Investments**

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Committee on House Financial Services
U.S. House of Representatives**

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Chairwoman Waters, Ranking Member McHenry, and members of the Committee on House Financial Services, thank you for inviting me to testify today. I would also like to thank the committee and personal office staff for their tireless work on behalf of our country.

My name is John Rogers. I am the Chairman, Co-CEO and Chief Investment Officer of Ariel Investments, the first Black-owned Asset Management firm founded in 1983. It was my honor to testify before the Subcommittee on Diversity and Inclusion one year ago and I particularly want to thank Chair Beatty for her leadership and efforts to increase diversity in the financial sector.

I am here today with one core message – Black Wealth and Black Businesses Matter. As the proud great grandson of J.B. Stradford, a pioneering entrepreneur who owned the Stradford hotel in Tulsa, Oklahoma, this is personal. His hotel was torched during the 1921 Tulsa race riots and the opportunity to pass down wealth through generations like many other white families went up in smoke.

Imagine what the Stradford Hotel, or the Greenwood section of Tulsa known as “Black Wall Street,” would be like today. It took another 60 years before I founded Ariel. Think about the billions of dollars in unrealized black wealth wiped out by angry mobs more than a century ago in Wilmington, North Carolina or Memphis, Tennessee, the site of the Peoples Grocery. Add the weight of Jim Crow, redlining and racism, and the root cause of economic inequality is clear.

The existing wealth gap in America between Blacks and Whites is well known. But few realize that the gap has widened since segregation was legally outlawed. Research by Dean Kerwin Charles at the Yale School of Management found that while the wealth gap did shrink between 1940 and 1970, [it is now wider than in 1950](#). Similarly, [Ray Boshara at the St. Louis Federal Reserve](#) found that between 1992 and 2016 college-educated whites saw their wealth soar 96 percent while college-educated blacks saw theirs fall 10 percent.

If you look at the revenue of the 353 largest privately held companies in my hometown of Chicago, Crain’s reports that there are no black companies in the top 150. Ariel is number 351. The combined revenue of the four Black-owned companies on the list was 0.18 percent of the \$444 billion in total revenue – a rounding error.

The pandemic has made these glaring disparities worse. The number of Black owned businesses in the United States sank by 41 percent between February and April, more than double the 17 percent decline of white businesses according to research from Robert Fairlie at the University of California Santa Cruz. Most of these are low-margin, service sector companies survive on foot traffic. They are also far less

likely to have significant savings or quick access to capital to stay afloat. As an investor, I can tell you that this has a massive ripple effect across the economy.

We know that most frontline workers – the heroes bagging our groceries, cleaning hospitals or working in meatpacking plants are Black and Brown Americans who have been more likely to get sick. We also know that the virus exacerbates underlying health issues. In [major cities](#) with a Black population of 25-30%, Blacks represent a staggering 70-75% of all COVID-19 deaths. A recent study showed that more than half of Black America was unemployed. These disparities link back directly to the wealth gap.

Now, the size, scale and speed of the federal response was remarkable. I commend you all for acting quickly to try and prevent a pandemic induced Great Depression. However, systemic inequality has limited the true impact of the recovery effort.

An eye opening [Bloomberg News report](#) found discrepancies between Paycheck Protection Program (PPP) beneficiaries in Cleveland, painting a dark picture for the country. Small businesses in a predominantly white zip code received 343 loans of less than \$150,000 totaling \$11.9 million. Black owned small businesses just a few miles away received 83 loans totaling \$2.8 million.

The HEROES Act includes many terrific ideas that, if enacted, will make a difference. Relief for state and local governments will ensure that first responders can continue to save lives. Helping people stay in their homes and put food on the table will prevent a humanitarian catastrophe. Lastly, strengthening and extending the PPP with specific benchmarks for Community Development Financial Institutions (CDFIs), Minority Development Institutions (MDIs), and SBA microlenders will limit the damage and help pave the way towards a stronger recovery.

But inequality laid bare by the Coronavirus and the wave of social unrest after the murder of George Floyd demands that we go further. While access to capital is crucial, access to customers is also important. As you continue to meet this unprecedented crisis, I offer three themes that we developed at our Black Corporate Director's Conference – we call them the Three P's – People, Purchasing and Philanthropy, that could lead to real change that shrinks the opportunity gap.

Corporations have turned first to charitable contributions, but we have it last on purpose. I do not discount the positive intent, but charity will not solve generations of inequality. We need immediate action that attacks the wealth gap.

First, you could require any company or non-profit that received CARES Act funding to disclose the diversity of its board and a detailed racial breakdown of its employees across all levels, including senior leadership positions within a year. Corporate America should do the same. As my Co-CEO, Mellody Hobson, often says, "math has no opinion and what gets measured gets done."

My experience as a long-term value investor supports recent research which found that diverse companies outperform non-diverse companies. At Ariel – we can point to more than 45 occasions where we pushed management teams of our portfolio companies to add diversity on their boards. We don't do this for charitable reasons, although it is the right thing to do. As shareholders, we believe this enhances long-term business performance.

Second, I encourage you to press companies you oversee, and the anchor institutions in your districts to measure all spending with minority businesses by category and focus on high-margin professional

services and technology fields where wealth, power, and jobs are created today. We must replace the obsolete term 'supplier diversity' with 'business diversity,' and encourage partnerships with minority-owned companies. Unconscious bias training will also help facilitate this change.

I'll close by noting that late in his life, Dr. King talked about how achieving true equality in this country would require economic repair and economic justice.

The last few months have made it painfully clear that we have a long way to go to win the battle Dr. King described. Black businesses are important to the future growth of the American economy but today, their future is in doubt. Our nation cannot survive, let alone thrive, without strong communities of color. That's why it's so important that we pass the HEROES Act and work to create wealth, jobs, hope and opportunity.

Thank you for your time and I look forward to answering any questions.