Chairwoman Beatty, Ranking Member Wagner, Chairwoman Waters, and members of the subcommittee, thank you for inviting me to speak with you. I would also like to thank the staff for their thoughtful work.

My name is John Rogers. I am the Chairman and CEO of Chicago-based Ariel Investments, founded in 1983, the first African American owned asset management firm in the country. I am the product of two pioneering parents – my father was an original Tuskegee Airman, and my mother was the first African American woman to graduate from the University of Chicago Law School in 1946.

Fast forward to today: the economic prospects of the black community have stalled or even gone backwards. For example, Ray Boshara of the St. Louis Fed reports that between 1992 and 2016, college-educated whites saw their wealth soar 96 percent while college-educated blacks saw theirs fall 10 percent.

We are here to discuss asset management, one of the largest sources of wealth, power, and jobs in today’s economy. Of the wealthiest Americans on the 2018 Forbes 400 list, over 30 percent generated their wealth in financial services or real estate. The top three private equity firms control over two million jobs.

Asset management offers a stark reminder of the obstacles preventing people of color from fully participating in our capitalist democracy - even in 2019. Your committee oversees the country’s largest banks. The four largest hire hundreds of asset management firms to invest nearly $1 trillion across three pools of assets: their own corporate pension plans, their own 401k plans, and externally managed wealth management platforms. You can essentially “round down to 0” the assets managed by diverse firms across those three buckets.
There is no shortage of high-performing diverse-owned firms. Vista Equity Partners is one of the best performing private equity funds in recent years. Brown Capital was named Morningstar Manager of the Year in 2015. And our Ariel Fund is the top performing fund in its category since the financial crisis. Yet, when compared to the largest asset management firms, we are essentially rounding errors. Vista, the largest black-owned private equity firm according to Black Enterprise, is less than 1% the size of BlackRock, which manages over $6.5 trillion.

As Reverend Jackson says, ‘baseball became a better sport when Jackie Robinson was allowed to play.’ The financial services industry is well-served by dynamic leaders such as Eddie Brown, Mellody Hobson, and Robert Smith who are job creators, philanthropists, and important role models in our community. Of course, we all saw Robert Smith commit to erase the student loan debt of the entire 2019 graduating class of Morehouse College.

I offer three thoughts on why barriers persist in the asset management industry. First, there is a tendency to work with people you know and with whom you are comfortable. Second, due to implicit or unconscious bias, many do not think of black leaders as successful money managers. Third, many banks, corporations and non-profits have embraced well-intentioned supplier diversity programs emphasizing construction, catering, janitorial services, and other commodity-related fields. However, this approach excludes us from the parts of the economy where wealth, power, and jobs are created today, such as asset management and other professional services. I would go as far as calling it a “modern-day Jim Crow.”

I would recommend asking institutions under the purview of this committee to implement three solutions. First, I support the proposed legislation adopting the “Rooney Rule,” requiring banks and other entities to consider diverse-owned firms when aiming to fill new investment mandates. Second, measure all spending by specific category including asset management and other professional services, and replace the term ‘supplier diversity’ with ‘business diversity.’ Third, CEOs and their management teams can be held accountable by this committee for providing meaningful transparency and making measurable progress.

In closing, tackling economic inequality through business opportunity is more important than ever. As Dr. King predicted, African-Americans could only be liberated from the “crushing weight of poor education, squalid housing and economic strangulation” by being “integrated with power into every level of American life.” Thank you.