The Economic Club of New York

115th Year
661st Meeting

John W. Rogers, Jr.
Founder, Chairman, Co-CEO and CIO
Ariel Investments

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In-Person/Hybrid Event

Moderator: Vonnie Quinn
Anchor, Bloomberg's First Word
Host, Bloomberg Opinion

Introduction

President Barbara Van Allen

Good afternoon and welcome everyone to the 661st meeting of The Economic Club of New York. I'm Barbara Van Allen, President and CEO of the Club. It's an honor to be here with all of you. This year is very special. It's our 115th anniversary of the Club. We're really proud of our history. The Club has served as the preeminent nonpartisan forum for discussions on social, economic and political issues for decades, generations actually, and we're very proud of that history.

We'd also like to thank our DEI corporate partners who have worked with us now for several years, since the killing of George Floyd, to help bring forward programming that encourages diversity, equity and inclusion across all sectors of our economy. So thank you to BlackRock, Bloomberg, Mastercard, S&P Global, PayPal, and Taconic Capital. And some of those partners have representatives in the room today. Thank you for joining.

A special welcome to the members of the ECNY 2022 Class of Fellows – a select group of diverse, rising, next-gen thought leaders as well as students from the CUNY Graduate Center and the Columbia Business School joining us virtually. We do, by the way, have a fairly large virtual audience in addition to those in the room.

Today, I'm honored to welcome our special guest and ECNY Trustee, John Rogers, Chair and Co-CEO of Ariel Investments. You might remember that about a year ago, I guess, or a year and a half ago, we were lucky enough to have his other Co-CEO, Mellody Hobson, join us. So this is just wonderful to be able to bring both of them to The Economic Club of New York.

John's interest in equities was kicked off actually at Princeton University where he majored in Economics. And over the two-plus years, he worked as a stockbroker for William Blair & Company. In 1983, he founded Ariel to focus on patient value investing within small and medium-sized companies. While their research capabilities have expanded across the globe, patience is still the disciplined approach that drives the firm today.

Early in his career, John's investment acumen brought him to the forefront of media investment attention and culminated in him 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*. Furthermore, he has been highlighted along legendary investors such as Warren Buffett, Sir John Templeton and Ben Graham in the distinguished book: *The World's 99 Greatest Investors*.

His professional accomplishments extend to the boardroom where he is a member of the Board of Directors of McDonald's, NIKE, The New York Times Company, and Ryan Specialty Group Holdings. John also serves as Vice Chair of the Board of Trustees of the University of Chicago. Additionally, he is a member of the American Academy of Arts and Sciences, and a Director of the Robert F. Kennedy Center for Justice and Human Rights.

In 2008, he was awarded Princeton University's highest honor, the Woodrow Wilson Award, presented each year to the alumnus or alumna whose career embodies a commitment to national service. Following the election of Barack Obama, John served as the Co-Chair of the Presidential Inauguration Committee in 2009. And more recently, he's joined the Barack Obama Foundation's Board of Directors.

So, back to today, the format will be a conversation. We're very fortunate to have Club member, Vonnie Quinn, as our moderator. She is an anchor for Bloomberg's First Word and host of Bloomberg Opinion. As a reminder, this conversation is on the record and we do have media in the room and online. Please remember that. And now without further ado, Vonnie, the mike is yours.

Conversation with John W. Rogers, Jr.

VONNIE QUINN: Barbara, thank you so much. I'd also like to thank The Economic Club of New York for at least keeping us partly sane during the pandemic with some of your many great events, and there's some upcoming events that we're all going to want to tune in for as well. But today is a very exciting day with John here. Let's get straight into it. It's been a tough time, John. With almost $18 billion in assets under management, how are you looking at this market selloff?

JOHN W. ROGERS, JR.: We're looking at it as a time for opportunity. You know, Warren Buffett always talks about that volatility should be your friend. And when you have this kind of dramatic shifts in the market and so many companies have changed so dramatically, we think there's an opportunity to take advantage of some real unique bargains in this environment. So we've been adding to our positions each and every week, finding more and more areas where, again, we're excited about putting money to work.

VONNIE QUINN: Is this a major pivot point or is this just a resetting or repricing?

JOHN W. ROGERS, JR.: I think it's, in some ways it's a, I guess it's a repricing. I think we start with that. With the higher interest rates that we've all experienced and we've all seen and it's caused by the higher inflation in this country, high PE multiples have had a multiple compression. Because, you know, we don't want to pay, with interest rates going higher you don't want to pay a lot for future earnings that are going to be delivered 10, 15, 20 years down the road. So to see this peak, impression, I think it is a repricing. And stocks had gotten too far. I think they were too expensive. And people just hadn't factored in the higher interest rates and how much it could impact how you value these businesses.

VONNIE QUINN: So you've had an array of events. Some black swan events, in fact, contribute to this as well as, as you say, massive inflation and huge uncertainty. We're looking at a bear market for the S&P 500 and obviously interest rates have been quite volatile. We're going to get to the Fed in a moment, but do we see more of a selloff? Is this market stable?

JOHN W. ROGERS, JR.: I think we're getting; you know, you never know. We all know it's impossible to predict the markets. And we're long-term investors with a turtle as a logo to remind us that patience wins and we always want to think out over the horizons. But I do feel like the amount of pessimism and gloom in the market is so high. Everywhere we go people are talking about how afraid they are. I had a meeting yesterday in my office with a person who said his brother-in-law just sold all his stocks because he was so fearful. And you look at the Investor newsletter or data from Investors Intelligence that shows a lot of bearishness everywhere.

So when there's so much pessimism, so much bearishness, I do believe – you mentioned John Templeton earlier – he always said you want to buy when there's maximum pessimism. I think we're getting into that type of environment. And Warren Buffett always says you want to be greedy when others are fearful. And I think there's a lot of fear there. So that gives me optimism that we're starting to bottom here.

VONNIE QUINN: Let's talk a little bit about the economy and what the Federal Reserve is trying to do in order to engineer a soft-ish landing. Fifty basis points and another 50 and another 50, do we get to neutral by the end of the year and roughly where is that?

JOHN W. ROGERS, JR.: I don't think I have a crystal ball to tell you exactly what the Fed is going to do. But I think, one of the things I've learned over the 39 years that I've been at Ariel is what gets you is always the surprises, the things you didn't think about, the things you couldn't have worried about. You know, when the Covid hit, none of us had anticipated that. I don't think very many people saw the war in Ukraine coming. So I think when you have all of the Federal Reserve and all of the top economists in the world, with everybody fixated on whether we can avoid this recession, whether the Fed can do the right thing, I don't think they're going to be too far off. I don't think there'll be some big negative surprise that will come from this. It's so well identified. It's so well talked about. It's on the front pages. It's on the news all the time. So I don't think we'll get hurt by it.

VONNIE QUINN: So that's a lot of optimism in that paragraph. We have heard in the last couple of days alone from various investors suggesting that it's a very narrow path to avoid a recession. What is the likelihood that we can avoid that recession?

JOHN W. ROGERS, JR.: Well, someday we'll have another recession. We don't know. You know everyone is always predicting many more recessions than ever occur. That's sort of one of those cliches that we all talk about and hear about. So I don't see a recession coming anytime soon. As we talk to our management teams, we've just gone through the earning season. We've been on the phone with CEOs and CFOs of dozens of companies in the last several weeks. Everyone is telling us they're seeing no signs of a recession.

The consumer has a lot of money. The consumer has been saving. We know the low unemployment rate. So we don't think it can be a consumer-led recession. So I think it'll be a ways off. And I wouldn't worry, but if it comes a little bit early, that means it'll just end a little bit earlier. And people always think it's like this great bogeyman out there. We're going to have this great recession. But eventually, you know, we all know once you have a recession, you have a recovery.

And, you know, when you go to the annual meeting for Berkshire Hathaway, you know, my favorite thing is he always talks about what the Dow did last century. How it started at 66 and ended at over 11,000, and you guys have all heard that all the time. But I keep reminding myself that last century we had a Great Depression. We had many recessions. We had World War I, World War II. We had a pandemic. We get through these. You know, he always says our capitalist democracy is the best system ever invented. And so I try not to get too troubled by this short-term worry of something that could come in and get us.

VONNIE QUINN: So we do get through them, but it's the question of the damage that's done, I guess, in the getting through them. When you talk to all of these CEOs, CFOs, supply chain managers and so on, and I know you do, you speak to them on a quarterly basis at least, what are their main worries right now? Just personally speaking, I spoke to a CEO over the weekend who is not particularly interested in the supply chain within the next six months because they know they have their contacts locked in, but they're extraordinarily worried about a year out and 18 months out.

JOHN W. ROGERS, JR.: I think the supply chain issue is a worry for a lot of the companies we talk to. You know, it's a headwind. It's a problem, but they are working through it and for the most part getting through it with some challenges, some higher expenses than they would have hoped. But it's not a catastrophe by any means. And at the same time, I think people are worried about inflation. These management teams that we know, most CEOs have never lived through an inflationary period before. They don't know what to expect. They don't know how this can impact them. But so far so good. I think people are feeling they are able to raise prices. So we're spending a lot of time trying to check on that and double check on all these management teams, how they're dealing with it. But so far they're managing it.

VONNIE QUINN: So inflation is still at an 8% handle. We're not sure exactly how fast it's going to come down or what kind of outside factors are going to help it come down because right now things are not alleviating all that much when it comes to energy prices and when it comes to frictions in the system. Where do you see the Fed being able to bring inflation down to by the end of the year?

JOHN W. ROGERS, JR.: I'm not sure by the end of the year it'll be down very much. I still think that they got started too late and they had kept saying this was transitory, kept saying it was transitory, and they didn't quite get it right. I think ultimately it's going to take longer for it to get under control. So whether we get there by the end of the year, maybe it's the middle of next year. But eventually they'll tame this beast and things will be back on track.

VONNIE QUINN: So if you could put a figure on it or if you could cite what some of your CEOs are telling you, are they saying 6% still at the end of the year, 4 to 5?

JOHN W. ROGERS, JR.: I think it'll be higher, higher than that. That's our view. You know, we have our Vice Chairman, Charlie Bobrinskoy, many of you know, he's been with us about 20 years and he was at Salomon Brothers for 20 years, he is often out prognosticating about this. And he's been one to say that the rates are going to be substantially higher than people anticipated. We're very close to Professor Robert Aliber, who is a retired economist from the University of Chicago, who has been forecasting this for quite a long time. He has been quite afraid of the inflation and higher rates and he continues to be. And so I would take the "over" on how inflation will be at the end of the year.

VONNIE QUINN: That's a little bit terrifying. So if that's the case, then won't the Fed be forced into making either larger changes or at least putting 75 basis points back on the table. It got taken off the table.

JOHN W. ROGERS, JR.: Or it will just, it'll take longer. You know, again, if you just take the long-term perspective, whether it ends up, somehow they go a little bit further, I just, again, I think getting caught up in the shorter term, I'm really trying to think out over the horizon. Whenever we are buying companies, we're always looking out at that three to five-year horizon at the minimum and trying to see what's it going to look like once things get normalized.

And we've done that, whether it's the Crash of '87, or whether it was '08 and '09, the financial crisis, whether it was Covid. You know, everyone sort of always thinks about that next couple of months or the here and now. And that recency effect that people talk about, from payroll finance, we try to protect ourselves against that. It's not easy to do, but I keep saying what's this going to look like when the sun comes out and these clouds drift away? What's it going to look like? And when you think that way, you don't get too swept up in the short term.

VONNIE QUINN: Well, that brings up the question about the labor market and obviously you're invested in very labor-intensive industries. What are your CEOs telling you about how tight labor supply is and what happens if inflation does stay up there at that elevated level like you say?

JOHN W. ROGERS, JR.: What we know is, we all see the Help Wanted signs in front of stores. We hear about, you know, people leaving their jobs and waiting for the perfect job and they're getting compensated at a much higher rate. So I think this is going to be, it's a sweet spot for the labor market right now. And as we've seen with the push in unionization, we've seen what's happened with Starbucks, what's happened with Amazon. People are feeling more empowered to push for wage increases. And I think that's going to be the reality of this environment.

When we have inflation higher than expected, you're going to have wages that will be higher than expected. But as we said earlier, the consumers have been doing a good job of saving and keeping their balance sheets strong and so they're going to be able to spend. And I think that'll give the wind beneath this economy that's going to keep it growing, keeping it solid and strong.

VONNIE QUINN: You mentioned Starbucks and obviously there's involvement there. You manage some of the pension assets and so on.

JOHN W. ROGERS, JR.: Well, no, not at Starbucks. That would be a conflict because, as you know, Mellody Hobson is the Chairman of the Board.

VONNIE QUINN: But I guess my point is, between McDonald's and Starbucks and some of these chain restaurants and so on, there will be more of a push to unionization. What are your thoughts on whether that's a good thing for the U.S.?

JOHN W. ROGERS, JR.: The idea for, we support organized labor. We always have. And I used to be a vendor, I was a vendor at Wrigley Field for Sox Park, in White Sox Park for six years. I was a member of the Service Employees International Union. Mellody is a union member from her work on television. So we've always been supportive of organized labor. And there's always going to be that healthy tension between management and the board, but I believe that ultimately you'll get to the right conclusions.

I also tell people, you know, I went to the University of Chicago High School, which the University of Chicago, as many people know, has a Pre-K through high school. All unionized teachers. And people are surprised that a private school would have that. And when I got a chance to be Chairman of the Board, the first thing I did was I got a former teacher on the board to send a signal to the union that we wanted to work together, between our board and the university and the faculty, and how important that was. So I think you always want to build a bridge and not have the kind of hostile tension that sometimes can occur in this country, and especially in this environment that we're living in today.

VONNIE QUINN: McDonald's, we have a new proposal from Carl Icahn, a 65-page proposal, and obviously you're a board member, and I'm just interested to hear what you think about this new proposal and what happens to the two directors that he's trying to replace.

JOHN W. ROGERS, JR.: I probably shouldn't say too much.

VONNIE QUINN: We're all friends here...(Laughter)

JOHN W. ROGERS, JR.: We have two terrific directors that we are highly confident are going to be reelected. They make a major contribution and they're so smart and thoughtful, and I think the institutional world understands that.

VONNIE QUINN: I do say that because we did also get some audience questions and there was a few McDonald's questions in there. One of them was actually would you like to become Chairman of the Board of McDonald's? I presume you wouldn't say no.

JOHN W. ROGERS, JR.: I can't answer that question either, but I was talking earlier to Barbara. From the time I got home from college, I've gone to McDonald's almost every day, before Covid. And every morning I would get a biscuit and start my morning there reading the papers, relaxing, and then...

VONNIE QUINN: You also used to play many hours of basketball every week, so it was okay.

JOHN W. ROGERS, JR.: I'd also sneak away in the afternoon, get quiet time to read and get some French fries. So McDonald's is my favorite place and it's been a real privilege to be on the board the last 18 years. I really truly love the brand, love the culture that Ray Kroc and Fred Turner and Andy McKenna and others have created there. It's a special place.

VONNIE QUINN: Does Icahn get his way, though?

JOHN W. ROGERS, JR.: I am highly confident that we are going to have our directors elected.

VONNIE QUINN: Just for context, Carl Icahn – I'm sure you all know this – but his problem is that animals are not maybe being treated quite as fairly as they should be, pregnant pigs and so on. It gets very detailed. We won't get into all of that.

JOHN W. ROGERS, JR.: It is a culture there that really started with Ray Kroc, and again Fred Turner became the next CEO. We really do listen to all of our constituencies, you know, all the things having to do with ESG, all the things having to do with the kind of items that Carl Icahn is talking about today. We take it very, very seriously. Sheila Penrose chairs the committee that oversees all of that. And at the annual meetings we've always created a platform for people to be heard, and then between meetings, to sit down and talk with folks and learn from what can be done better and how we can improve if there is something, a clink in our armor somewhere.

VONNIE QUINN: Let's talk a little bit about valuations because you have said in the past and it's true of many value investors that you look to companies that have a 40% discount to their intrinsic value. How have the changes in market valuations impacted how you're looking at companies these days? And is it more difficult to find those kinds of companies?

JOHN W. ROGERS, JR.: As I touched on earlier, it's easier right now. Our portfolio itself, our Ariel Fund, our flagship fund, is selling at about 11 ½ times next year's earnings, roughly 30% discount in the portfolio. There are many stocks now selling at 40 to 50% discounts. So it's an excellent time to take advantage of this PE compression, to take advantage of this fear and find bargains that are there.

VONNIE QUINN: Talk to us about some of those bargains. I want to ask you, just to ask you about Manchester United and Madison Square Garden. But since then, have you found new bargains?

JOHN W. ROGERS, JR.: We're looking, working on this really, really hard because there are just a lot of things. It's just a question of almost like, it's like which is the better bargain? What's the better value? Our largest position is Madison Square Garden Entertainment. We were talking about it in the Green Room earlier. Many of you heard me, I've been on message for a long time on this one. I haven't been right yet. But they own the actual garden and all the land underneath and surrounding it and the air rights above it. And they own Tao, the restaurant chain, Hakkasan, the nightclub chain. They own the Chicago Theater in Chicago.

It's just a really, really great business. It's a wonderful business. Who wouldn't want to own the Garden? You know, they have huge pricing power. There's really no substitute for it. The best bands in the world want to come and play there. Of course, the Knicks and the Rangers, etc. And then they're building a $1.9 billion sphere in Las Vegas. It's an extraordinary place. I had a chance to go and have a hard-hat tour. And it's going to be the best arena in the world. And once they build it in Las Vegas, they hope to build it, sort of franchise it around the country.

But it's this giant sphere with extraordinary electronics inside. We're going to be able to smell and have the best visuals, the best sound system. All the best artists are going to want to go there for extended stays and residencies. And they're going to be creating their own content for the facility, and they're going to be doing exciting things. They just signed up last week and announced they have a program with F1 so they're going to actually have, the race will go around the sphere and all the electronics will make it magical and hopefully the whole world will be watching. So that is one of my favorite stocks and one of the cheapest stocks.

VONNIE QUINN: It is down 16% year over year but I mean if you look across the board, everything is down. What will be the catalyst that...

JOHN W. ROGERS, JR.: I think the catalyst, really this one is pretty clear. Well, there's two. They own the Regional Sports Net. And the Regional Sports Network is going to be more and more going to direct-to-consumer. So we're going to start to see if that really actually works the way they anticipate. And you'll be able to watch your Knicks and Rangers on your phone everywhere, all over the world and the like.

And then the other thing will be looking for the announcements about the residencies. You know, is it going to open next fall, on time? Are they going to keep it within budget, you know, roughly that $1.9 billion. Expenses, will they keep those under control along with all the content expenses that they're expensing right now? And then what kind of artists are signing up? Are they going to be able to get the best artists in the world to come, get the best conventions in the world to sign up during the day?

So the catalyst is going to be the opening, as we get closer to the opening of the sphere next year. The naming rights of the sphere? You know, Madison Square Garden, they don't believe in having naming rights there, but they've agreed they're going to have a great naming, and we think that will be something that will add a lot of value. So those announcements will start to really come out as we get closer and closer to the opening next fall. And if you go to Madison Square Garden headquarters here in New York, Jim Dolan actually has a visual. He can watch on the big screen the moment-by-moment building of the sphere. You can actually see it there, all the workers, and keeping track of exactly how well it's going.

VONNIE QUINN: It sounds like you believe then that perhaps we might be through the worst of Covid, this particular pandemic. What happens if we get another wave in the fall or something different?

JOHN W. ROGERS, JR.: Well, it would be problematic in the short run, but I do think that we're learning to live with it now. And I think we realize, I mean I'm not a doctor, I don't want to compete with Dr. Fauci, but I do think, you know, just going around New York these last couple of days, going around Chicago where I live full-time and part-time here, people are just out and comfortable and confident and realizing if they get it, they're going to be down for four days and they're going to test and they'll be back to normal. And people are really, very few people are dying as we know. So I think that unless there's some sort of dramatic shift, or something new comes out, and anything can always happen, but I'm highly confident. But I would have said the same thing a year ago.

VONNIE QUINN: Of course, as you said earlier, we can't see these events coming. That's why they're black swan events, right? Manchester United is an interesting one. Football, soccer, the team has not – I don't know if anyone follows Man U's performance this year – it hasn't been doing great. I don't know how much you get involved in decisions about managers or even follow them. I mean next week is going to be a very exciting week for soccer fans. What attracted you to that particular club and that particular stock?

JOHN W. ROGERS, JR.: They have a huge worldwide brand. And like a lot of the publicly-traded sports-related companies, they've sold off in this Covid environment. But we think that the value there, in professional sports, is going to be higher than ever. We think that, as I touched on earlier, the direct-to-consumer, the ability to watch content all over the world on your phone, on your iPad, whatever it happens to be, I think is extremely valuable.

What's happening with gaming is just extraordinarily making this content worth so much more that people are going to watch games from beginning to end because they can bet on that field goal or this free throw or this goal or whatever it's going to be moment-by-moment. I think the gaming world, it's just, it's really transformative, especially here in America. And we see it here in New York now, we're seeing it in Illinois. You know almost all the states eventually will have that. So I think the gaming is a game changer. All the things around NILs, the value of, the ticket you have. You buy a ticket to a world championship, it's something that could be worth something.

All the content, all the different things that are part of professional sports. It's live content. As we all know, what's happened with TiVo and all the rest of the ways that people can consume content, but people still love live sports. And as you see, as people are coming back from this pandemic, the energy in the stadiums is just extraordinary. So I think this is a great time to be able to take advantage of this. And as you start to see more transactions happen, and what's happening with the oligarchs having to sell...

VONNIE QUINN: Abramovich and Chelsea. And it looks like it's the Boehly consortium that's going to win out in the end.

JOHN W. ROGERS, JR.: If you look at the Denver Nuggets that's being...not the Denver Nuggets, the Denver Broncos are for sale. All the dollars are much, much higher than even the *Forbes* annual ranking shows. So the prices just keep going higher and higher and again the fundamentals are getting stronger and stronger for businesses.

VONNIE QUINN: Some of the other, I mean you've invested in toy stores since you were a kid, right? Since your dad started helping you buy stocks when you were 12 years old. But some of these other ones are also extraordinarily interesting. So Mattel, that's one of the ones that's done extraordinarily well for you. It's up 26% in the last year. So he still wasn't wrong 40 years later. But Paramount Global, is that also a play on live events and then being broadcast or is that something different?

JOHN W. ROGERS, JR.: You know, many of you know Paramount Global is the, it used to be CBS and then it became Viacom CBS. It's had sort of several names over time.

But it's, we think, a really, really, really cheap stock. You know, Sumner Redstone always talked about content is king, and they have an enormous amount of content. You know you think about Paramount Studios as extremely valuable. They've got the new Tom Cruise movie coming out. They have the Mission Impossible franchise for next year. The Godfather is a big part of their franchise. And I think, it was MGM was just sold. Don't hold me to it, I think MGM was sold for $12 billion recently. We think Paramount itself is worth much, much more, just the studio.

And then, of course, you've got CBS with all of their sports content, NCAA basketball, NFL football, 60 Minutes, CBS Sunday Morning, all the prime-time shows on CBS. Also benefitting from all the money being spent on elections for their owned and operated local stations. Extremely valuable. And, of course, you've got Viacom. You've got Nickelodeon. You have Showtime.

All these worldwide brands that are all under one umbrella, they're becoming more, Bob Bakish is making it more of a global company. You know it's just really extraordinary what they're doing. They're beating all expectations on the streaming part of their business with Paramount Plus. They're spending more money than they anticipated and they're anticipating not getting profitable for a couple of years, which has sort of slowed down the stock price. But I think people are still fixated on the streaming, they're not realizing the strength of all the core businesses, including Simon and Schuster and the real estate that they have and the cash that they have.

But I think ultimately they're well positioned in the streaming wars because they can bring together the sports, the news, and the content over all the different things, again from Nickelodeon to Paramount. I just think it's a really well-balanced portfolio. And if somehow it doesn't work, you know, if it gets consolidated down to four or five main streaming companies, they don't get to be one of the four of five, they'll get bought by one of the others and get consolidated in. And we understand, the board understands they want to do what's right for shareholders in the long run. So it's one we're quite excited about. Another company selling at 50% discount, really low price/earnings multiple and interesting, fun to research.

VONNIE QUINN: I want to move to something slightly different now – some of the areas of the market that have gone haywire over the last year or two. And we should probably start with crypto, right? Yet another episode, let's say, in crypto recently with TERI USD. But we've had several of them over the years going back to Mt. Gox and so on. What are your thoughts on crypto and whether we should even be talking about it still? I mean on the one hand, you have Alan Howard now with the crypto platform, which makes you do a double-take. And on the other hand, you know, all of these years later, all of those resources poured into mining, cleaning up mining, you know, creating currencies, you know, social media chatter from Elon Musk and other people, does it all amount to anything? Are we getting anywhere with these new currencies?

JOHN W. ROGERS, JR.: Well, you know, I think, you know, I mentioned Warren Buffett several times today, and I was in Omaha, I go every year for the annual meeting. And he made it very clear again this year, he didn't think crypto was worth very much. And I'm not going to argue with the world's greatest investor of all time and his partner, Charlie Munger. It doesn't seem to produce anything. It's like gold. It's not really a useful asset. It's not like a farm that's producing corn or what have you. It's just a commodity. It's going to be based, it's going to be priced based on what someone's willing to pay for it, not what does it actually produce. So I do think that it's one of those classic bubbles.

And everyone, this kind of reminds me of the internet bubble. Everywhere you go, like the guy that delivers my Gino's pizza in Chicago, he wanted to know, should I be buying crypto? And then you, political leaders, they're all excited about it, and sports figures are all excited about it. It was the same thing with the internet bubble. You know when it's the average person that's just going in the markets, the political leaders and sports leaders all jump on the bandwagon, it signs that it's getting toppy and that there's a dramatic downside from there. You want to be early in this business. If you're going to make money, it's got to be early, not get in after it's already gone up many, many, many-fold and everyone's excited and telling you how much money they've made. I think it's the time to stay away.

VONNIE QUINN: And it's not just crypto currencies, right? There might be something to decentralized finance, but it's, you know, CBDCs even. I mean there's a lot of central bank resources going into researching CBDCs and, you know, what happens in the future to money. But you do a survey every year and you recently did one with Charles Schwab in which you found that 38% of young Black Americans are embracing cryptocurrency to counter a distrust in stock markets and financial institutions. How do you read that? I mean particularly when, you know, that compares to 29% of their White counterparts and it's based on 2,000 people, half of which identify as Black. Is there something, you know, wrong with the trust in the financial system that can be repaired?

JOHN W. ROGERS, JR.: I think over time there's more and more trust building in the financial markets. I do. I think the work around financial literacy here in New York. The New York City RISE program to get young people investing in real stocks is a terrific program. We're seeing many other initiatives around this. I think that's going to happen over time. I think organizations like Charles Schwab that have done such a good job of sort of democratizing the markets, allowing you to buy small shares and small amounts, and not having to go into an office but being able to do it online.

VONNIE QUINN: Right. But Robinhood did that as well and got a huge uptake and look what happened there.

JOHN W. ROGERS, JR.: I think the more experienced firms like the Schwabs are going to be much more sober around that and not fall into people getting excited and chasing the hottest thing the way Robinhood did. And I think that kind of gambling is not good for the markets. And it's unfortunate because it's bringing in, often some first-time people who come in and get swept up in this and they think they can get rich quick. And it happened with the internet bubble. It's happened in prior histories of bubbles.

So, but eventually I think this will settle. This will pass and things will get better. And there's a lot of things that are going on now, I think, around financial literacy that I think we're not there a generation ago. Cory Booker has an initiative around baby bonds in Washington, which I hope could also be baby bonds and stocks, stocks and bonds, because we want to have young people comfortable with both sides of the market.

VONNIE QUINN: Baby portfolio.

JOHN W. ROGERS, JR.: But I think there's, you know, some other political leaders are doing some neat things around this that I think are going to make a difference. There's a guy, Ray Boshara, at the Federal Reserve of St. Louis is doing a lot of work. He just came out with a new book talking about financial literacy. There's just some, some real momentum I think.

VONNIE QUINN: Well, because you had a lot of experience before you even became an adult. You've been doing this with your dad since you were literally 12 years old. So there was a lot of hard work that went into learning about the market before you ever even bought a stock.

JOHN W. ROGERS, JR.: I was very fortunate, yes. My dad was a Tuskegee Airmen and flew over 100 missions in World War II. He was 39 when I was born so he had a lot of time to decide exactly what I was going to do at different ages. And a certain age, I had to have a checking account. At a certain age, I had a savings account. I mentioned being a vendor. I had to have a summer job by the time I was 16. And then by the time I was 12, I had to have a stock market portfolio.

VONNIE QUINN: It's amazing, right?

JOHN W. ROGERS, JR.: Yes, it was a great idea. And, you know, the thing was, my parents were divorced when I was three, so I'd go visit my dad on the weekends and he'd have his newsletters piled up for me to read and the annual reports and the quarterly reports of the companies that he had invested in for me. He wasn't wealthy. It was $250 here and $500 there. But as the years went on, it would, you know.

And then he took me to meet his stockbroker, a guy named Stacy Adams, who was the first African American stockbroker on LaSalle Street. And he became my role model. He became my mentor. I'd just go and sit with Stacy and watch the ticker tape go by. And he was this unique guy, been there forever. Priscilla knows this, she was a stockbroker in Chicago for a long time and knows how rare it was. But to have him there for me made all the difference when my father introduced me to him. And it just became a labor of love, it became fun.

VONNIE QUINN: Well, and it's phenomenal that you had that. You know, so many people don't. Most people don't. You were probably the exception that you had a dad that was that interested and aware of how young he should start teaching you and that you had other mentors like that. I mean if you went out there today, would there be any more mentors or is the ratio still that tiny? It feels to me like, you know, I've been in this business 15, 20 years, that not that much has changed in that time. So what about in 40 years? Has much changed in 40 years?

JOHN W. ROGERS, JR.: It's changed, and it's accelerating the change. Since the George Floyd murder, there are much, much more rigorous and serious efforts to diversify the financial services industry. Mellody Hobson, you know, my Co-CEO, we're both getting more opportunities to speak to groups like this, speak to boards of directors, speak to all types of organizations and political leaders. There really is a push and I'm starting to see some real traction and some things happening.

I think, I have to say here in New York City, I have to say you guys have been way, way ahead of any other city in the country, by far, with the kind of leadership we've had from the Ken Chenaults of the world and others in leadership roles but also the Ray McGuires and the Bill Lewises that have been in investment banking. We've had a lot of progress in private equity. So New York City is one that I think is just really truly making a difference. But unfortunately, it hasn't been extrapolated throughout the United States in the way that it should.

VONNIE QUINN: Well, there's one statistic that I just found absolutely terrifying from one of your surveys and it's that 1.2% of all assets under management are at minority-owned firms. Is that still the case? 1.2%?

JOHN W. ROGERS, JR.: And that's for all minority firms, I think the data shows. So it's not just African American or Latinx. The numbers are really, really bad when it comes to money management and mutual funds. And what makes that particularly heartbreaking is that you all know, here again, here in New York, you know, so much of the wealth and jobs and philanthropy comes through Wall Street. That's the part of the economy where, again, it's been so successful. You have the high profit margins.

And in the past so many progressive institutions, even when they wanted to do the right thing, they did it through this term, "supplier diversity", which implies that, okay, if you're going to work with a minority-owned business, it's going to come through supply chain – construction, catering, janitorial services, office supplies – the lowest margin part of the spend and where the least amount of wealth has been created. And we have hard data that shows that, from McKinsey and BCG, showing that Chicagoland spend, business and professional services is $75 billion with profit margins 5% to 20%. Construction is 10th on the list at roughly $25 billion, profit margins less than 1%.

So if you really want to make a difference, you have to get rid of this term "supplier diversity." The University of Chicago coined a term, "business diversity." And now our Civic Committee is using that terminology in Chicago, our 84 largest businesses. The Barack Obama Foundation is using the terminology "business diversity." So I think to make a difference, we have to signal to people that you want to be able to do business with minorities in everything that we do. That it's kind of a, kind of unconscious or implicit bias if you own work with minority firms in the commodity parts of spend and not in the most lucrative parts of our economy. So that's the reality.

And the other part, I would say, the last thing I will say that's disappointing is I bet if you looked at that 1.2%, most of that spend is coming from government. And unfortunately, the universities, the hospitals, the museums, many of the anchor institutions and the foundations have been the least progressive, which you would have expected the exact opposite, but they have been the least progressive.

VONNIE QUINN: What changes that? Is it just complacency? Is it, well, this is the way we've been doing it for the last 20, 30, 40 years, therefore, let's just, you know, sign on the dotted line again. What gets the fire lit?

JOHN W. ROGERS, JR.,: I think you're right. I think it's partly the fact that people have done it the same way for 50 years, you know, just supplier diversity, construction being the focus and everyone just thinks that's the way to do it without actually thinking about it. People have this definition of small business that hasn't really been thought through in an economy where these giant companies with trillion-dollar market caps. So the prism with which people look at these things, they just look at them the same way and haven't evolved as our economy has evolved into this, again professional services, capital-light industries, less manufacturing. So you're right, people haven't adjusted. People haven't changed in the way that the world is.

The second thing is because there's so few of us in the financial services industry, I was lucky to, you know, to learn about the markets earlier, but then be on boards like Aon Corporation in Chicago for 18 years and watch Pat Ryan build that into an extraordinary enterprise and see how a successful financial and professional services business can grow and thrive and create all kinds of jobs and philanthropy and political empowerment and all aspects. Pat's a genius.

But because there's so few of us in those spots, when we sit on a board of a hospital or a museum or university, when they put someone who is diverse on those boards, it's often people who are not coming with a lot of financial services experience. And so they're there to think about maybe social justice issues. They're not as comfortable raising their hand and pushing for economic justice. And it's something, Dr. King used to talk about that all the time that many progressive White Americans deplore prejudice. Yes, deplore prejudice, but accept or ignore economic injustice. And so you have to have progressive leaders and people of color in the boardroom willing to fight that sort of standard way of looking at the world.

VONNIE QUINN: Well, you are working overtime to try and correct some of the biases. You have a Black Directors Conference every year and you're about to have your 20th, which is amazing. Several hundred Fortune 500 directors come and it's, I guess, an off-the-record meeting and sort of casual in some ways where you just get to chat amongst yourselves and figure out how to change things. What's emanated from that? What do you hope to tell corporate America about, you know, who is available out there?

JOHN W. ROGERS, JR.: Wow! There's a lot there in that one. It's hard to, I'll do my best. We started the conference with Charles Tribbett from Russell Reynolds 20 years ago. And we had 30 directors at the Gleacher Center in downtown Chicago, the University of Chicago's business school. And you're right. The last year before Covid we had 200 directors. And we've been really blessed. We've evolved it to being just not African American directors, but more and more Latinx directors also. It's been great that both the Asian community and the Latinx communities have created conferences patterned after our conference. And so we feel like we're really impacting and touching a lot of people.

And we've been really blessed that over the years we've had a diverse group of leaders come and speak at our conference. You know, the Ursula Burns and the Ken Chenaults have been there, the Don Thompsons from McDonald's, but also the Jamie Dimons and Jeff Immelts of the world. Shonda Rhimes has been there. We've had Magic Johnson there. We even had President Obama there.

VONNIE QUINN: Michael Jordan didn't come though because he's probably still angry about what happened.

JOHN W. ROGERS, JR.: We have had Doc Rivers. So we've gotten a really terrific, great group of leaders to come. And one of the things that we have talked about from the very beginning, on Friday night we have what we call the Conscience of the Conference. And it's someone, often, earlier, people that actually were close to Dr. King, would march with Dr. King, so we had Andy Young. We had his best friend, Harry Belafonte. We had Reverend Jackson. Just these extraordinary people who were the real trailblazers. We had the late congressman, John Lewis, who came. And that Friday night, it's the Conscience of the Conference.

So they're there to remind all of us that are fortunate enough to be in the boardroom that we have a responsibility to fight for economic justice and social justice in the boardroom even when it's not comfortable. And they remind us why that's important. And then we hopefully learn from each other at the conference every year how to be effective in the boardroom, how to get to leadership roles where you can leave an impact, leave a legacy that you've been there, that you've brought change, you brought a difference, opened up doors.

And so we've asked all the directors to meet the 3 P's. One is to measure the philanthropic dollars of the corporate boards that you're on and making sure the money is being spread around, not just to museums and hospitals and the local universities but also to the historically Black colleges and civil rights organizations that deserve support. That part, I think, corporate America is doing better and better. The second P is not only measuring people throughout the organization but making sure you're measuring the diversity of the people in the C-Suite and on the management committees of the organizations that you're on the board of. Everyone always tells you about the pipeline. We think it's important to have leadership there that can actually bring in more talent and make a difference. And then finally we ask everyone to measure the purchasing and keep track of how the money is being spent by category.

And as we talked about earlier, changing the terminology from supplier diversity to business diversity. So we think if we can get all those things done, we think we can transform opportunities to close this wealth gap in this country. If all of the leaders are doing that in the corporate world, and if you think about it, all these leaders that are on corporate boards are also on their local nonprofit boards, often have very strong political leadership roles, we can really make a difference. We can really make a change.

VONNIE QUINN: Well, it's a lot of weight to carry and it's quite amazing that in this century you have to do that, but I guess it's the only way, it's incremental change that things change. Are corporations willing to change quickly? I mean are they receptive to these ideas?

JOHN W. ROGERS, JR.: I'm finding on this issue of the purchasing part that I talked about a couple of times already today, people are more open, and especially, again since the George Floyd tragedy. Yes, our Civic Committee is completely behind it. We had actually a big event in Chicago last week where the National Supplier Development Council had a big celebration in Chicago, had entrepreneurs from all over the country there. And our Civic Committee co-hosted a reception and several hundred people at The Chicago Club. And our Civic Committee gets behind the key things.

It's people you guys would know here. It's Lester Crown. It's Jim Crown from the Crown Family. You have the Pritzker family involved. You have the heads of the biggest companies from ITW to J.P. Morgan Chase, what have you, that are there involved with the Civic Committee. And they've all agreed that this is going to be the next big initiative, to try to create opportunities and build strong minority businesses in Chicago. And when they get committed to something, they can really make a difference. So I'm really optimistic, you know, in my hometown.

VONNIE QUINN: Yes, because I mean it's been two years since the Black Lives Matter protests and it's quite phenomenal that it's been that long and then you have the events of this weekend as well in Buffalo and it's just, it just takes your breath away. And then other things come along like, you know, Russia's war in Ukraine and inflation and oil prices and, you know, people get distracted. So I guess you need people like you out there constantly reminding people to change their ways.

I mentioned Michael Jordan and how he might not be too pleased because – I'm sure most people know the story, but why don't you tell it.

JOHN W. ROGERS, JR.: Hardly a day goes by...

VONNIE QUINN: I mean, I would be telling that story every ten minutes.

JOHN W. ROGERS, JR.: Well, thank you. I used to go to his fantasy camp. It was called the Senior Flight School for people 35 years and older, to relive your childhood. And, you know, I played basketball at Princeton for legendary coach, Pete Carril, and I loved to play.

VONNIE QUINN: Captain at Princeton.

JOHN W. ROGERS, JR.: And so the chance to sort of come back to the camp and be able to have like world-class, I had Coach Zrzyzewski was my coach one year, Jack Ramsey who used to coach the Portland Trailblazers. They had all the best coaches in the world. They had NBA referees there. It was so much fun.

And so I went for four years. And the last year I was at the camp, it was the seventh year of the camp and my fourth year, every year at the camp Michael would ask any camper to play him in a game, anyone who wanted to play him in a short game of one-on-one, he would entertain it and do it in front of the whole camp. So in the first seven years of the camp no one had ever beat him. But what happened on this last year was that he had played about 15 campers by the time he got to me...

VONNIE QUINN: No mitigating, he doesn’t get mitigating circumstances. (Laughter)

JOHN W. ROGERS, JR.: He was tired, and he was overconfident, you know. And it was a short game, the first to three baskets wins. So we all know, the shorter the game, the more luck is involved. The cool part about it, when I make the last shot and I spin in the shot with my left hand, you can hear him, the ball's in the air, he says, "Oh, no."

VONNIE QUINN: Of course he does.

JOHN W. ROGERS, JR.: He was trying to block the last one. He always let people get a basket or two, but he let me, but at the last one he really tried hard to block it. He just missed blocking it. And then Damon Wayans, the comedian, who was a camper, came on the court and started ragging on Michael saying, you know, take down those posters now, replace them with Rogers, remove all the Jordan posters. Michael was not happy. But it ended up on YouTube. So if you just google John Rogers or the ten things Michael Jordan doesn't want you to see...(Laughter).

VONNIE QUINN: So I don't know why he doesn't have this literally emblazoned on every piece of clothing that he ever wears because, I mean, who else can say that in the world? And also, you know, Michael, he lost. I mean, sorry, it doesn't matter what happened that day.

JOHN W. ROGERS, JR.: It's just this little thing that took on a life of its own. John

Thompson had me on his radio show. He was the former Georgetown coach. A couple of *Sports Illustrated* stories.

VONNIE QUINN: Well, on that note, I did get an audience question. And we know that Tiger is a little, like semi-weakened. I mean he's rebuilt his thing a few times and he's been in a few little accidents here and there, but somebody in the audience wanted to know if you would ever take Tiger on at golf. But I don't think golf is a particular favorite pastime of yours, is it?

JOHN W. ROGERS, JR.: That's for sure. I don't golf at all.

VONNIE QUINN: So Tiger is safe. Tiger is safe. He's not going to get beaten by John Rogers, Jr. John, you did, though, get very great at something, I'm sure, during the pandemic. Somebody like you doesn't sit still for very long. So tell us what did you spend, at least the early months doing, before we all sort of tried to get back at least normal?

JOHN W. ROGERS, JR.: I can't say I've gotten great at anything. That's for sure. But I ended up, just coincidentally, a little bit, yes, it was earlier, I started piano lessons about four and a half years ago. Totally from scratch. And I had never, you know, read any music. I had never done anything meaningful with an instrument and so I just started from scratch. And then with time, with all the extra Covid time, I really started being able to practice an hour or two hours a day or sometimes more. I ended up getting a great teacher in the middle of Covid who has really been pushing me and pushing me and pushing me. And the thing I found out, I've gotten in a little trouble for, but, you know, I had my piano at my apartment and you have the thing that holds up the music.

VONNIE QUINN: The music stand.

JOHN W. ROGERS, JR.: The music stand. And I realized I could put my music stand here with my music and then I put my iPad here. And so I could be at a board meeting...(Laughter) and I could be practicing piano at the same time.

VONNIE QUINN: Wouldn't have found out, you're muted.

JOHN W. ROGERS, JR.: Yes, I had it muted. But every once in a while you forget, more than once in a while. It's a little embarrassing when you're playing the piano and the board meeting is going on and people are trying to figure out what's going on. And, John, I think you need to mute yourself.

VONNIE QUINN: It depends on what you're playing. What style did you start learning?

JOHN W. ROGERS, JR.: Whatever's in the beginning books. I'm doing Brahms Lullaby right now.

VONNIE QUINN: I'm just, I'm in awe of how fast you learn things. But you have a process, I suppose, that you've been honing since you were literally 12. And you have people that you look up to, like Warren Buffett that you mentioned. You know, Pete Carril taught you a lot. You've had a lot of teachers over your time. And you now pass that on to people at Ariel. So there's a book that you recommend that everybody reads on the research team. Tell us about that.

JOHN W. ROGERS, JR.: Well, we have lots of favorite books to read. We have a whole table of Ariel people here. I'm remiss in not introducing our team, both from our private Ariel Alternatives as well as Ariel Investments are all here on the left side of the table. But my favorite book that I want everyone to read is *Give and Take* by Adam Grant. He's a Wharton School professor. I don't know if he's been here to speak or not.

It's a phenomenal book because it reflects what Coach Carril taught us when I was playing at Princeton, that you think about your teammates first. And the way you succeed is always to help them succeed on the court all the time and not thinking about yourself first. And then for there to be this great academic book that comes out that makes that point, that the givers are the most successful in life and the selfish people are the least, the takers are the least successful, it's just wonderful. So that's the book that I recommend everywhere to everyone.

VONNIE QUINN: Adam Grant's *Give and Take*. A show of hands, has anyone read it here? All right, good. We've got one. Well, we've got some reading to do, folks. Speaking of give and take, what would you like to see out of Washington, you know, before the midterms or even, you know, the next two years. We're in primary season. It's particularly nasty. And I'm just wondering what's the fragility that you would like to see undone?

JOHN W. ROGERS, JR.: Oh, gosh. It's so hard. I mean I wish that people would, everyone would just tell the truth. I mean that was the number one thing my father pounded into me as a young person. You always have to tell the truth. You know, if I can't trust you, that was like the worst thing in the world. As a kid, he just pounded and pounded and pounded it into me.

And the idea that both sides now, to make their points, exaggerate the facts and are not truthful with the American public, I just think it's so wrong. And I think that's something that I continue to worry a lot about. You know, you watch the news at night, and I'm, like a lot of you, I'm a news junkie and I read all the papers, I watch all the shows. And you turn on, you know, Fox or CNN or MSNBC and you're like, am I in the same country?

Because you can't even determine what the truth is because of the way that they skew the story so dramatically and the people that come on all evening long.

So that's my number one thing. I think we'll be a better and stronger country if we can all tell the truth to each other and trust each other to be factual and then make decisions based on the facts, whether you're conservative or liberal or not. Just be honest about it.

VONNIE QUINN: And we should just give a mention to your mother as well, we've talked a lot about your father, but your mother was a huge influence on you and worked in Washington, D.C. She's, in fact, the Deputy Solicitor General.

JOHN W. ROGERS, JR.: Yes, thanks for mentioning. I was mentioning earlier in the green room that we recently, the last year or two, got a copy of a letter that Richard Nixon had written to a historian saying that if he had one more Supreme Court pick when he was President of the United States, that my mom was on the short list to be the first African American woman on the Supreme Court. It was kind of cool now with what's happened in the Supreme Court this last year.

VONNIE QUINN: Absolutely.

JOHN W. ROGERS, JR.: My mom was a lifelong Republican like my grandfather and my great-grandfather. And my mom seconded Richard Nixon's nomination in 1960. She had been the first African American woman to graduate from the University of Chicago Law School in 1946. And so she got to be very close to Richard Nixon. I've got articles where he talked about to be looking out for her. And then in George Bush's administration, she was the United States Coordinator for Refugee Affairs. So that was something, she was Ambassador at Large and she really loved, loved, loved that position.

VONNIE QUINN: Sounds like an absolutely amazing woman.

JOHN W. ROGERS, JR.: I was very fortunate, two dynamic parents, very, very different.

VONNIE QUINN: Well, let's give it up both for John and John's mom as well. (Applause) I think we've run out of time, but we could talk to this guy for another two or three hours, so you're going to have him back again very soon, Barbara.

PRESIDENT BARBARA VAN ALLEN: Definitely, what a wonderful conversation. Thank you, John, for coming here, and Vonnie, what a great interview.

So we all enjoyed, I hope, being together today. We do have some more prominent speakers. I'm just going to run through those real quick. Tony James, former Vice Chair of Blackstone, current Chair of Jefferson River Capital and Chair of Costco, will join us virtually May 24th. Arvind Krishna, also on our board, Chair and CEO of IBM, will be joining us June 7th in person. Brian Cornell, the CEO of Target, will be joining us in person on June 21st. And on June 27th, we will have our Peter G. Peterson Leadership Excellence Award, where we'll be giving out, and that will be a dinner here in Manhattan, where we'll be recognizing actually two individuals.

I want to take a quick moment to thank those of our 346 members of the Centennial Society who are joining us today as their contributions are the backbone of the Economic Club and help enable us to offer our programming. And finally, as a reminder, we would appreciate if members take the opportunity to fill out the survey that will come electronically after our event so we can get your feedback and keep improving our value proposition. So thank you all, whether you're in the room or with us digitally today. And please enjoy your lunch if you're in the room and for everyone we hope to see you soon. Thank you.