

Business Day

Corner Office

DAVID GELLES

Melody Hobson of Ariel Investments: 'Capitalism Needs to Work for Everyone'

Melody Hobson

CO-CHIEF EXECUTIVE OFFICER,
ARIEL INVESTMENTS

When she was a little girl, she 'was desperate to understand money.' Today, as one of the most senior black women in finance, she oversees billions of dollars.

MELLODY HOBSON was raised by a single mother and endured economic hardship as a child. The phone was shut off. The car was repossessed. Her family was evicted.

Today, Ms. Hobson is one of the most senior black women in finance. She serves on the boards of JPMorgan Chase and Starbucks, and this month was named co-chief executive officer of Ariel Investments, the largest minority-owned investment firm.

Many things contributed to Ms. Hobson's remarkable rise through corporate America. Her mother's grit, a rigorous education and a passion for finance all helped. But so did loyalty. Ms. Hobson started at Ariel straight out of college, and has been with the company for nearly 28 years.

"The average American has 11 jobs in their lifetime, and I've only had one," she said.

When not shepherding Ariel, which manages some \$13 billion, she is engaged in her board work and spending time with her husband, the filmmaker and "Star Wars" creator George Lucas.

Tell me about your childhood.

I grew up in Chicago with a single mother. I'm the youngest of six kids, and my older siblings are much older than me. When your siblings are that much older, you never get to ride in the front seat of the car, you never get the chicken breast. Literally, you're a child with a bunch of grown-ups.

What did your mother do for a living?

She was a real estate developer. She had big dreams for herself that fell short. We had a very up-and-down existence. A lot of times, we would just have really challenging times, getting evicted or our phone getting disconnected or our car getting repossessed. I always felt very insecure financially as a child. I was desperate to understand money as a child. I was desperate to be secure. Because I always felt like the rug could be pulled from under me.

What was your education like?

I went to the Ogden School, which was the first International Baccalaureate school in the United States. I.B. is a type of degree that started in Europe for diplomats' kids to make sure that their education was consistent as the diplomats moved around the world. It was amazingly challenging, but it was great in a lot of ways.

We were kids, but we were put through some pretty horrific exercises. We had a teacher once in seventh grade who ripped out pages of the phone book and told us to memorize the name, address and phone numbers of one column. It was literally to teach our brains how to find mnemonics to memorize, and it ended up being a great gift.

In eighth grade, one of our teachers gave us all rubber bands. She said, "You have until tomorrow to come up with an alternative use for this." We were all stumped. The next day, we were just going to go in and say we couldn't figure it out. And I'm sitting at my desk, and I start rubbing the rubber band against my paper, and I realize it's an eraser.

What was your first job?

I worked in a storeroom that had no windows of a very fancy store in Chicago. I put the tags on the clothes. I honestly loved the job. I loved looking at the clothes. I loved the idea that I could make money. I told them I was 16, but I wasn't. I was 15. I

went there with bells on every single day. I would check the merchandise in so fast that I had nothing to do for the rest of the day, so they said to me, "Well, go help the bookkeeper."

Then they asked me to start helping close out the register, because I was the one who could get it to balance. Once I was downstairs closing out a register, and a woman came in and she didn't have anyone to help her, and I sold her thousands of dollars' worth of clothes. I just thought it was the most amazing thing.

It was my first real example of making myself indispensable, which was one of the things my mom told me. She was like, "Just make it so you're so good, you can't get fired."

What did you study in college?

I was in the Woodrow Wilson School of international relations and public policy at Princeton. You have to apply to get in, and I did not originally get in. I lobbied really hard and called many people. I just would not take no for an answer.

I spent a lot of my years in the Woodrow Wilson School studying systems that really oppress people. I wrote my senior thesis on South Africa, and specifically on how children ultimately led to the end of apartheid because of their uprisings.

How did you go from that to finance?

Finance was right for me because I was desperate to understand money. Money was, in my life, a debilitating topic. It was a source of great worry and anxiety. I thought, "Could I be in a position to help ease people's burden when they think about money by teaching them?"

Because we don't learn about money in school in America. In high school in America, you can take wood shop or auto, but not take investing. But who whittles in their spare time? No one cleans their own carburetor.

Money is a subject that is extraordinarily uncomfortable for a lot of people. Parents have been queried about their comfort level in speaking to children about money, and they say they are more comfortable talking about sex and drugs than money. That comes from their own money anxiety. And interestingly, we inherit our money anxiety. All of our money habits are inherited from our parents.

How did your mom talk about it with you?

In my life, money was a pervasive topic. My mother was very direct. When we didn't have any, she told us. She would tell us when we were in trouble. She also made money a part of my everyday life in ways that were very helpful. For example, she always had me pay the check in a restaurant. I knew what things cost. My mother would have me look at bills. I knew what the phone bill was, what the light bill was.

What do you tell people who are starting on their financial journey, wherever they might be?

I start off by explaining to them that it's never too late, literally never. I also think the most important thing you can learn about money, and Warren Buffett talks about this, is compound interest. It's the eighth wonder of the world. If you understand compound interest, you understand money working for or against you.

We talk about long-term patient investing, and that idea that slow and steady does

win the race, that time can be your best friend when it comes to investing. That's why we have a turtle as a logo at Ariel.

Given your commitment to leveling the playing field for working families, do you advocate for their interests in your board work?

So let me start with just a fundamental point of view that I have is I believe in capitalism. It is the best system that has existed in the world. Show me a better one. I can't find it. But I also believe that capitalism needs to work for everyone, and so I don't begrudge those people who've done extraordinarily well in our society as long as it's a fair fight.

'I am a person of color who happens to be a woman as well, and I have firsthand dealt with inequality, despite having shown up with all of the credentials.'

It isn't always a fair fight, though, and that's what we need to fix. That could be anything from our tax bases and how that works, our tax rates, to other issues that occur in our society around fair opportunities for education.

I am a person of color who happens to be a woman as well, and I have firsthand

dealt with inequality, despite having shown up with all of the credentials. I do not sit here believing that if you've just gone to a great school and this, that and the other, it's all going to be fine. It just doesn't work like that in our society. I think about those people who were like me and are like me. That goes into the boardrooms that I'm in. I also think about the people of color who are inside of those companies, making sure they get the same opportunity as those who are in the majority population.

What's been bugging you lately?

I am deeply disturbed by children at the border being taken away from their parents. That is sitting on my soul and is very upsetting to me. This is on our watch, and it's horrific. You'd have to kill me to take my child. Literally, literally kill me. And so the idea that thousands of children have been taken away ... I feel like someone is standing on my chest, and I feel like it would be the equivalent of when there was the Japanese internment, or some of the other things that happened where you're like, "How did that happen?"

I don't want to become numb to it as a society. When people are seeking to escape the oppression that they're under, whatever it is, economic, social, violence, whatever it is, there's got to be a better way. This is just not right. It is not right.

DAVID GELLES is the Corner Office columnist and a business reporter. Follow him on LinkedIn and Twitter: @dgelles.