



NEWS RELEASE

BOB JOHNSON URGES NATIONAL DIALOGUE BASED ON RECOGNITION OF RACE TO ADDRESS ALARMING INCREASE IN WEALTH GAP BETWEEN BLACK AND WHITE AMERICANS

*Johnson Argues that Wealth Gap Compares to “Compelling National Interest Test”
Which Could Justify Race-Recognition Remedies*

BETHESDA, MD// JULY 25, 2010// In an address to Members of Congress and participants attending a Congressional Black Caucus meeting, Robert L. Johnson, founder and chairman of The RLJ Companies, called for a national discussion about the growing wealth gap which he referred to as a “wealth gap Tsunami threatening African American families”. He cited the recent Institute on Assets and Social Policy at Brandeis University study, among other studies, which conclude “the wealth gap between white and African American families has more than quadrupled over the course of a generation; the racial wealth gap increased by \$75,000, from \$20,000 to \$95,000; and, at least 25 percent of African Americans have no assets.” According to the U.S. Census data, “white household median net worth is 10 times that of Black households. The median net worth for African Americans was \$11,800 compared to \$118,000 for whites.”

In response to addressing this compelling national crisis, Johnson stated that, “We must admit the harsh reality of a history of institutionalized racism and economic discrimination against African Americans is the primary cause of wealth disparity between Black and white Americans” and “we must be willing to talk about race recognition remedies at the highest levels of government as well as between Black and white Americans.”

Johnson suggests that the wealth disparity between African Americans and whites compares to the “compelling national interest test” cited in the Supreme Court’s *Adarand* decision where the Court ruled ‘a racial or ethnic classification must serve a compelling interest and must be narrowly tailored to serve that interest.’ In his remarks to the Caucus, Johnson listed several race recognition policy initiatives that could be discussed. For example, allow African American families earning less than \$250,000 annually to defer all federal income taxes, without interest, provided tax savings are placed into a 401(k) type savings account which can only be drawn out at retirement or upon death at which time the government would be reimbursed for the deferred taxes. He pointed out that this would allow the gain on the 401(k) investment to be available to the families at retirement or passed on to future generations.

“I wish the answers to close the wealth gap were as politically palatable and acceptable as proposals to make our public schools better for minorities, to retrain minority workers for the new jobs market, and aggressively enforce laws against racial and economic discrimination. Over the years, this Nation has been committed to all of these objectives, but this effort will not close the Black wealth gap. I recognize that public policy based on race is extremely provocative and controversial but controversy should not prevent a reasonable dialogue about a societal dilemma that is real and economically devastating in its potential to millions of African Americans,” he concluded.

Johnson’s complete remarks can be found below and at www.rljcompanies.com.

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REMARKS BY ROBERT L. JOHNSON: A Wealth Gap Tsunami Confronts Black America

A wave of statistics predicts that a wealth gap Tsunami is threatening African American families. Consider these facts: “The wealth gap between white and African American families has more than quadrupled over the course of a generation; the racial wealth gap increased by \$75,000, from \$20,000 to \$95,000; and, at least 25 percent of African Americans have no assets” according to the Institute on Assets and Social Policy at Brandeis University.

A study by United for a Fair Economy stated “for every dollar of white per-capita income, in 1968, African Americans had 55 cents and only 57 cents in 2001. At this pace, it would take African Americans 581 years to get the remaining 43 cents and achieve income parity with whites.”

According to U.S. Census data, white household median net worth is 10 times that of Black households. The median net worth for African Americans was \$11,800 compared with \$118,000 for whites. According to a 2007 Pew Charitable Trusts study, “nearly half of African Americans born to middle-income parents in the late 1960s plunged into poverty or near-poverty as adults” and “forty-five percent of black children whose parents were solidly middle class in 1968 – a stratum with a median income of \$55,600 in inflation-adjusted dollars – grew up to be among the lowest fifth of the nation's earners, with a median family income of \$23,100.”

These indisputable facts point out that middle income whites have far more wealth than even some high-income African Americans. Equally disturbing, educational success achieved by many Blacks has not led to racial wealth equality. The current economic crisis that we confront will only serve to exacerbate and magnify the growing wealth disparity.

How do we address this compelling national crisis? First, we must admit that a history of institutionalized racial and economic discrimination against African Americans is the primary cause of wealth disparity between Black and white Americans.

Unless this harsh reality is addressed, the wealth gap will continue unabated and we will confront a society where many black Americans are the recipient of entitlements and white Americans are faced with making transfer payments to support the economic well being of these African American families.

I wish the answers to close the wealth gap were as politically palatable and acceptable as proposals to make our public schools better for minorities, to retrain minority workers for the new jobs market, and aggressively enforce laws against racial and economic discrimination. Over the years, this Nation has been committed to all of these objectives, but these efforts have not and will not close the Black wealth gap.

I suggest that if we are serious about closing the wealth gap we must first be willing to talk about race-recognition remedies and this discussion must take place at the highest levels of government as well as between Black and white Americans. I recognize that public policy based on race is extremely provocative and controversial, but controversy should not prevent a reasonable dialogue about a societal dilemma that is real and economically devastating in its potential to millions of African Americans.

Therefore, to initiate this dialogue, I submit the growing wealth gap qualifies as a “compelling national interest” permitting the government to enact “narrowly tailored” policies based on race. In the *Adarand* case, the Supreme Court ruled “a racial or ethnic classification must serve a compelling interest and must be narrowly tailored to serve that interest.” In my opinion, the wealth gap between Black and white Americans meets that test.

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Here are my public policy suggestions to address this compelling national problem and to get the conversation started.

The Federal Government should:

1. Allow black businesses to be eligible for government set aside contracts if they own 10 percent of a business rather than the existing 51 percent due to the 10-to-1 wealth gap between Blacks and whites -- the African American owner must retain control of the board of directors and voting control. Significantly increase the dollar volume of set aside contracts for Black businesses at all government agencies.
2. Encourage majority-owned businesses to invest in black-owned companies by significantly reducing or deferring the taxes on the economic gain from those investments similar to the FCC "tax certificate policy" which motivated majority-owned media companies to sell properties to minorities.
3. Allow African American families earning less than \$250,000 annually to defer federal income taxes, without interest, provided tax deferrals are placed into a 401(k) type savings account which can only be drawn out at retirement or upon death at which time the government would be reimbursed for the deferred taxes. The gain on the 401(k) investment would be available to the families at retirement or passed on to future generations.
4. Create a Treasury-backed fund to securitize short-term borrowing or emergency loans made by minority banks or other lending institutions to African American families provided these loans are marketed and made in a regulated and transparent manner. The securitized loans would encourage banks and lenders to make short-term or emergency borrowing available at reasonable rates and end payday lending as we know it today.
5. Require large banks under the Community Reinvestment Act (CRA) to fund a nationwide marketing campaign targeted to the African American community, particularly young adults that will focus on financial literacy and savings.

Many of these proposals are incorporated in some form or another in current policy and are usually based on economic disparities *i.e.* poor versus rich. This philosophy does not acknowledge the racial nexus of wealth disparity between Blacks and whites. With African Americans facing a wealth gap Tsunami, I believe the time to do that is now.

About The RLJ Companies - *The RLJ Companies, founded by Robert L. Johnson, is an innovative business network that provides strategic investments in a diverse portfolio of companies. The RLJ Companies seeks to target undiscovered or underserved markets then exercise solid management to achieve results. Within The RLJ Companies portfolio, Johnson owns or holds majority interests in businesses operating in banking, private equity, hospitality, automobile dealerships, entertainment, and video lottery terminal (VLT) gaming. The RLJ Companies is headquartered in Bethesda, MD, with affiliate operations in Charlotte, NC; Orlando, FL; Little Rock, AR; Los Angeles, CA; San Juan, PR; and Monrovia, Liberia. Prior to founding The RLJ Companies, Johnson was founder and chairman of Black Entertainment Television (BET). For more information go to www.rljcompanies.com.*

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