



NEWS RELEASE

For Immediate Release

FINDING A SOLUTION TO THE WEALTH GAP CRISIS IN BLACK AMERICA

Robert L. Johnson, Founder & Chairman, The RLJ Companies Calls for National Reform to Wealth Disparities Plaguing the Minority Community; African Americans Among Hardest Hit

BETHESDA, MD//AUGUST 11, 2011//For nearly two years, Robert L. Johnson, founder and chairman of The RLJ Companies, has called for a national dialogue on the growing and inevitable wealth gap in the minority community, particularly within the African American community. The economic disparity has reached a record high and in response to the recent study conducted by the Pew Research Center, Johnson urges immediate national reform.

A wave of statistics predicted the current wealth gap crisis. As with a tsunami on the horizon, many signs led to the threat, now a reality, for many African American families. The current wealth gap is a “compelling national interest” that would permit the government to enact “narrowly tailored” policies based on race to find long-term solution to the crisis now faced across our country.

Consider the following facts:

Today, the economic disparity has reached a record high. According to a recent study conducted by the Pew Research Center, entitled *Twenty-to-One*, “the median wealth of white households is 20 times that of black households.”

Between 2005 and 2009, the inflation adjusted median wealth for African Americans fell by 53 percent compared to only 16% among whites.

While black households had only \$5,677 in wealth during 2009 compared to \$113,149 in typical white households, nearly 35 percent of African Americans had zero or negative net worth total.

Whereas many of the markets – *housing, jobs, etc.* – are rebounding slowly, African Americans have far fewer assets than whites – fewer stocks, mutual funds, 401(k), or individual retirement accounts (IRAs) – and have undoubtedly been hit hard by the meltdown. In 2009, twenty-four percent of black households had no assets other than a vehicle, compared to 6% of whites.

The numbers are troubling, yet the facts are indisputable. The current economic crisis has only exacerbated and magnified 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.

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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.

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 current 20-to-1 wealth gap between Blacks and whites -- the African American business 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 drowning with the onset a wealth gap Tsunami, I believe the time to do that is now.

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