



## ***NEWS RELEASE*** ***For Immediate Release***

### **ROBERT L. JOHNSON CALLS FOR NEW FOCUS ON WEALTH CREATION IN THE BLACK COMMUNITY**

*Johnson Urges Race-Recognition Remedies to Address Wealth Gap during remarks at the Congressional Forum on the “Economic Empowerment in the Black Community”*

**BETHESDA, MD// JUNE 18, 2012//** In an address to the Conservative Black Forum hosted by Congressman Allen West (R-FL-22) focusing on the economic empowerment in the African American community, Robert L. Johnson, founder and chairman of The RLJ Companies, called for a renewed national discussion on the growing wealth gap which he referred to as a “wealth gap Tsunami threatening African Americans”.

Johnson cited a recent study conducted by the Pew Research Center, which concluded “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; the median wealth of white households is 20 times that of black households; and at least 35% of African Americans have no assets”.

In response to 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.”

In his remarks to the Forum, Johnson listed several race recognition policy initiatives that could be discussed. For example, encourage majority-owned businesses to invest in black-owned companies by deferring the taxes on the economic gain similar to the FCC “tax certificate program” which motivated major media companies to sell to minorities and create a Treasury-backed fund to securitize short-term borrowing or emergency loans made by minority banks or other lending institutions to Black 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 and break the cycle of borrowing at outrageous interest rates.

“Something has to be done to recalibrate our economic system to address these problems. We need the political courage to propose race-based remedies based on the disparity caused by past and present race discrimination. In the next 25 to 30 years, the majority of Americans will be black and Hispanic. There is a compelling national interest in addressing racial disparity and if we are to be a successful nation and compete globally, we must ensure that all Americans are given an opportunity to fully participate in the U.S. economic system,” he concluded.

Johnson’s complete remarks can be found below and at [www.rljcompanies.com](http://www.rljcompanies.com).

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***ECONOMIC EMPOWERMENT IN THE BLACK COMMUNITY***  
**United States Capitol Building – HVC 200**  
**Monday, June 18, 2012 \* 1:00 p.m. – 3:00 p.m. EDT**

*Remarks by Robert L. Johnson, Founder and Chairman*

Thank you Congressman West for inviting me to be here today to discuss an issue that is important to me – *creating opportunities and access to capital for minorities and minority business owners.*

[Acknowledge Members of Congress in attendance]

Most people know me as the entrepreneur who founded and built Black Entertainment Television (BET) which was created to provide consumers with programming content that was not available on existing cable channels.

Since selling BET to Viacom in 2001, I created The RLJ Companies, the holding company for my businesses operating in a publicly traded hotel real estate investment trust; a \$250 million private equity fund in partnership with The Carlyle Group; financial services; asset management, where we manage \$2 Billion for the U.S. Treasury; insurance services; sports and entertainment; and, we are the largest minority owned automobile dealership group in the country.

As an entrepreneur, I know first-hand the challenges minority entrepreneurs face. I also know the talent, dedication, determination and vision that minority entrepreneurs possess in their desire to become a part of and a contributor to the *American Dream*.

For many years, I have been vocal about the state of Black wealth and the daunting challenges minority business owners and entrepreneurs face. Without question, lack of access to capital and capital formation are the principal factors holding back opportunities for minority businesses and as a consequence wealth creation within the Black community.

A wave of troubling economic statistics continues to escalate and further exacerbates the growing wealth gap that is directly impacting African American families – what I have called a wealth gap Tsunami.

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; the median wealth of white households is 20 times that of black households; and at least 35% of African Americans have no assets” according to a recent Pew Research Center study. [Source: *Twenty-to-One: Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics, July 26, 2011*]

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 in 2001. At this pace, it would take African Americans nearly 581 years to get the remaining 43 cents and achieve income parity with whites.

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A recent Brandeis University study found “the wealth gap between white and African Americans has more than quadrupled over the course of a generation” and the Pew study found “nearly half of African Americans born to middle-income parents in the late 1960s plunged into poverty or near-poverty as adults.”

Since the burst of the housing market bubble in 2006, and the recession that followed, plummeting house values were the principal cause of the recent loss in household wealth. As we all know, the housing downturn had a strong impact on the net worth of African Americans.

As a result of these declines, the net worth of Black households fell from \$12,124 in 2005, to \$5,677 in 2009, a decline of 53%. Compare that to the net worth of a typical white household which is \$113,149. *[NOTE: In 2005, white HH net worth was \$134,992]*

Our Nation’s economy is confronting major structural challenges, the likes of which we have not seen since the Great Depression, and will only serve to magnify the growing wealth disparity unless this harsh reality is addressed.

The 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 African Americans has not led to racial wealth equality. To change this reality, we have to increase access to capital.

We (African Americans) fall way behind in access to income and capital. While white America has an 8.2% unemployment rate, the rate for African Americans is close to double that.

Those in society who are generating wealth are beginning to look askance at supporting those who they deem to be nonproductive. So you have one group opposing transfer payments in the form of entitlements and another group arguing that we have to protect entitlements.

Adding to this growing political conflict is the fact that the minority population receiving the transfer payments also happen to be the fastest growing demographic group in the country. As a result, the population that is paying feels they are being financially squeezed because they believe they are transferring money to a nonproductive class.

This is a prescription for the kind of political fighting that is taking place in the U.S. today. Republicans are saying “no new taxes” and Democrats saying “we must protect entitlements”. We are politically in a zero-sum game and many African-Americans are in the middle of that fight with no ability to control their own destiny.

How do you change that paradigm? First you must recognize that the 13.6 percent unemployment rate for African Americans is not because they don’t believe in hard work or in building wealth for their families.

There is a racial component to the employment and wealth gap between African Americans and white Americans that has to be addressed. Unfortunately, this country is uncomfortable with addressing that racial component but until we have a real dialogue about it, that gap is going to grow wider.

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To address this compelling national crisis, I suggest that if we are going to close the wealth gap, we must engage in a dialogue about race-recognition remedies at the highest levels of government, as well as between Black and white Americans.

I recognize that public policy based on racial preferences 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.

I wish the answers to close the growing 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.

Therefore, to initiate a dialogue on how to enhance Black businesses and increase Black wealth, I propose the following policy proposals:

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 rule due to the 10-to-1 wealth gap; and significantly increase the dollar volume of set aside contracts for Black businesses across all government agencies.
2. Encourage majority-owned businesses to invest in black-owned companies by deferring the taxes on the economic gain similar to the FCC “tax certificate program” which motivated major media companies to sell 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 Black 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 to fund a nationwide marketing campaign targeted to the Black community with a focus on financial literacy and savings.

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Many of these proposals are incorporated in some form or another in current policy and are usually based on economic disparities -- for example, the poor versus the rich but these policies do not acknowledge the racial nexus of wealth disparities between Blacks and whites. With African Americans facing a wealth gap Tsunami, we must address these important issues.

I am personally committed to working toward a viable consensus on how to grow and expand minority business ownership and opportunities in America and to propose business solutions to close the growing racial wealth gap.

Until we achieve such remedies, we will not have an environment in which Black wealth can expand or entrepreneurs can prosper.

***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 operating in a publicly traded hotel real estate investment trust; private equity; financial services; asset management; insurance services; automobile dealerships; sports and entertainment; and video lottery terminal (VLT) gaming. The RLJ Companies is headquartered in Bethesda, MD, with affiliate operations in Charlotte, NC; 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 additional information please visit: [www.rljcompanies.com](http://www.rljcompanies.com).*

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