



Interview with BET founder Bob Johnson

by Sheryll Poe
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Robert L. Johnson, founder and chairman of The RLJ Companies, owns or holds interests in businesses operating in hotel real estate investment, private equity, financial services, asset management, insurance services, automobile dealerships, sports and entertainment, and video lottery terminal (VLT) gaming.

Before forming The RLJ Companies, Johnson was founder and chairman of Black Entertainment Television (BET), the nation's first and leading television network for the African-American audience. Under his leadership, BET became the first African-American-owned company

publicly traded on the New York Stock Exchange.

In an interview with *FreeEnterprise.com*, the 65-year-old serial entrepreneur talked about entrepreneurship, opportunities for minorities, and the challenges of regulations, taxes, and deficits.

Free Enterprise.com: You've called your current career your "second act." Why?

RLJ: BET was the first act. After selling it to Viacom for a good piece of change, I decided there were other things I wanted to do, things that I could do. So I decided to launch my second act, which was to look at areas where opportunities for minorities had been limited or underpenetrated. That turned out to be asset management, properties, and capital.

FE.com: How have relationships played a role in your success?

RLJ: If you can have a vision about opportunities and businesses that you can start, the next thing is bringing access to capital, a talented management team, and strategic partners and relationships. That has been the cornerstone of my success story. I've always had the good fortune of convincing partners to work with me by showing them that I have the same integrity, work ethic, and talent as they do.

FE.com: Speaking of access to capital, how hard is it for a new entrepreneur to get that needed startup money in today's environment?

RLJ: There is capital everywhere, but the ability to attract it to your business plan or idea is the challenge that minorities face. The issue for minorities is that there's not enough sufficient capital in the community as a whole, and you have to go outside your family and friends to get capital to start your business. Minorities aren't

on the deal flow. You don't see them at the tennis club or country club or on boards of directors, so connections aren't made and minorities are left out of the deal flow.

That initial money you get is always based on the trust the person presenting it has in you, not the business plan. People tend to invest in people.

FE.com: What are you doing to get capital into the hands of minorities?

RLJ: The one thing I've been talking to the government about is using the tax code to give an incentive to companies that invest in minority businesses by reducing the capital gains tax on that investment. It's the same idea as the Federal Communications Commission (FCC) Minority Tax Certificate program from a while back. The FCC wanted to increase the number of TV properties owned by minorities to get more diversity in the market. It was a policy supported by Congress. Basically, if a white owner sold television or radio property to a minority buyer, he or she could defer that capital gains tax for five years. What I proposed to Congress is widening that concept beyond media and making it available to all business sectors.

FE.com: As a former lobbyist for the cable industry, what are your thoughts on today's regulatory environment?

RLJ: I describe it as the way generals fight wars. They fight a war based on the last war. Regulators deal with a problem that happened in the past. The problem with that is they apply those past regulations to everything in the future.

Some regulations have been around forever, and people just don't know how to take them away. But others are knee-jerk regulations. Regulators see a problem and try to write a regulation to cover every possible eventuality. And then you see another type of regulation, those designed for political ends, to protect a certain political class. We realize we're in a market economy where government has a role. But that role should be one of less interference in the working of the free market and then only based on real risks, not imagined risks.

FE.com: What do you see as the biggest barriers to economic growth?

RLJ: I'm cognizant of two problems—taxes and the overriding debt and deficit we're confronting.

Taxes are like regulations. Taxes if presented in a way that retards the system will have a negative impact on the economy and growth. Clearly, you need some taxes for the common good, but taxes should not be used to redistribute income or pick winners and losers. They should be used to encourage innovation and economic development. So when you look at a situation where you have a tax code that's so complicated and everybody has a loophole and protected projects or a class of deductions, you've got a huge mess that creates all kinds of friction in a free market economy.

With debts and deficits, you have the big fear that all businesses have, which is uncertainty. It's unfortunate that politicians do not have the courage to tell the American people the truth—that you cannot continue printing money as a way of solving the debt; you cannot continue to borrow. You have to come to grips with the spending.

<http://www.freeenterprise.com/entrepreneur/interview-bet-founder-bob-johnson>