

400 Years Later: Closing the Wealth Gap, Expanding Opportunity Report

The 22nd annual Rainbow Push Coalition and Citizenship Education Fund Wall Street Project Economic Summit marks a new emphasis on closing the wealth gap between minorities and whites. As 2019 marks 400 years since Africans were brought to the shores of America as slaves, this year's Wall Street Project conference intends to spark a conversation about how the treatment of African Americans over the last four centuries has caused a severe wealth gap between blacks and whites that is creating challenges for the entire country.

The gap has become a chasm. Rainbow PUSH Coalition President and founder Rev. Jesse L. Jackson Sr. wants to use the 2019 conference to begin efforts to close this wealth gap by starting a conversation about solutions, including a "Marshall Plan for African American Communities," reminiscent of the 1948 Marshall Plan through which the United States provided over \$12 billion in aid to help Western Europe recover after World War II.

At its core, the Marshall Plan was an infrastructure project. With both political parties having publicly stated they might work together on infrastructure, Rev. Jackson believes there could be enough bipartisan agreement to create an infrastructure plan that will help close the wealth gap. As part of a national infrastructure plan, Wall Street banks and the federal government can team up to provide funding to build affordable housing and commercial buildings in minority communities that would provide jobs and opportunities to build wealth. Slavery and the discriminatory challenges African Americans have had to endure in its aftermath have been so detrimental that Rev. Jackson says, "We need such a plan to lift us up from poverty and into prosperity."

The Wall Street Project (WSP) has always addressed a broad platform of issues that in many ways have fought to close the wealth gap by expanding opportunities. The issues the WSP has taken on in its 22 years of fighting to ensure the United States of America lives up to its promise of liberty and justice for all include:

- Financial inclusion through education and continuous learning
- Access to capital for all segments of the economic continuum
- Addressing issues of healthcare disparities with or without the Affordable Care Act
- Addressing issues of infrastructure that adversely affect underserved communities
- Adjusting corporate governance policies to result in more diverse and inclusive boards
- Insuring alternative investments are managed by diverse institutional asset managers
- Diversity and inclusion among law firms and legal departments in corporate America

Although the WSP has been successful on several fronts, in 2019, it seems much of the progress the WSP has helped accomplish is being eroded by the wealth gap. A recent report from the Center for American Progress (CAP) lays out the reasons for the black-white wealth gap in very stark terms:

“Black households...have far less access to tax-advantaged forms of savings, due in part to a long history of employment discrimination and other discriminatory practices. A well-documented history of mortgage market discrimination means that blacks are significantly less likely to be homeowners than whites, which means they have less access to the savings and tax benefits that come with owning a home. Persistent labor market discrimination and segregation also force blacks into fewer and less advantageous employment opportunities than their white counterparts. Thus, African Americans have less access to stable jobs, good wages, and retirement benefits at work—all key drivers by which American families gain access to savings. Moreover, under the current tax code, families with higher incomes receive increased tax incentives associated with both housing and retirement savings. Because African Americans tend to have lower incomes, they inevitably receive fewer tax benefits—even if they are homeowners or have retirement savings accounts. The bottom line is that persistent housing and labor market discrimination and segregation worsen the damaging cycle of wealth inequality.”

Such persistent discrimination across so many areas of their lives has resulted in African Americans owning just one-tenth of the wealth of their white counterparts, according to the report. In 2016, the median wealth for an African American family was \$17,600, as compared to white families, whose median wealth was \$171,000. Hispanic families, with median wealth of \$20,700, fared slightly better than African Americans.

Additionally, the CAP report found that African Americans owned fewer assets, such as homes, businesses and retirement accounts than whites, and even if they owned those assets, they tended to be worth significantly less than the same assets owned by whites.

While combating the wealth gap is a significant challenge, the Wall Street Project conference is one of the few places where business, political and community leaders have consistently come together to find common sense solutions to some of the greatest problems facing the country.

The Wall Street Project was launched on January 15, 1997, a revolutionary act led by Rev. Jackson and prominent minority business leaders who came together to challenge the financial community to exhibit a greater sense of fairness and cooperation in its business dealings involving financial firms owned by African Americans, Latinos and women. The goal was simple: by sitting down with the titans of Wall Street and introducing them to minority and women financial professionals who had demonstrated the skill and expertise necessary to start their own firms, the process of opening up capital markets to the full participation of everyone in America could begin to be realized.

Enabling minorities and women to gain full participation in the capital markets is having long lasting effects. In minority communities in particular, it can stimulate the growth of entrepreneurship, community development and wealth building -- potentially leading to economic empowerment. In fact, over the first 20 years that the Wall Street Project has been in existence, it has garnered substantial success. The spirit of inclusion that began with financial firms on Wall Street has expanded to corporations across many industries, creating lucrative opportunities for many minority and women owned business enterprises (WMBE). According to

Black Enterprise, corporations have been steadily diversifying their supply chains resulting in annual spending with MWBE firms growing to \$72 billion in 2016 from \$24 billion in 2005.

Black Enterprise also reports that the assets managed by the African American owned financial firms it tracks continue to grow, suggesting that the deals they are gaining access to are still expanding. However, the reality is the productivity of African American owned asset managers and investment banks is still dwarfed by the growth of mainstream financial firms.

Black Enterprise reports that in 2017, the BE ASSET MANAGERS LIST held \$62.6 billion in assets, up just 2.3 percent from the previous year. By contrast, in 2000, the asset manager BE tracked held a combined \$32 billion in assets under management. While that shows continued growth, for 2017, BlackRock, the top asset manager in the U.S., had \$6.2 trillion under management.

Companies making up the BE PRIVATE EQUITY LIST combined to hold \$53.6 billion in assets in 2017, up 12.8 percent from the year before. While that growth level is laudable, by contrast, the private equity industry brought in a record \$640 billion in new commitments in 2017.

While minority owned financial firms have indeed benefited from the Wall Street Project's efforts to create an atmosphere where the deal making process is more inclusive, there is certainly more work to be done.

Another area where the WSP has had some success is in encouraging Silicon Valley's technology firms to place more African Americans on their boards.

"When we started talking to Silicon Valley three years ago, there were three blacks on those company boards. Now, there are 23," says Rev. Jackson.

Most recently, Amazon named Starbucks Chief Operating Officer Rosalind Brewer to its board. The WSP effort to diversity boards of directors has expanded beyond Silicon Valley companies, and its hope is that the success will continue. "Once we get our share of board directors," Rev. Jackson says, "They can help get our share of corporate jobs, contracts, professional services, investment banking deals, lawyers and other opportunities."

Unfortunately, there are a number of professional areas where African Americans have failed to make gains. The number of African American CEOs at Fortune 500 companies has fallen to three, down from a total of six in 2012.

According to the Bureau of Labor Statistics, professions with some of the lowest percentages of minority participation include: the legal profession (12 percent); architects (19 percent); engineers (19 percent); physicians and surgeons (28 percent). African Americans make up only 3 percent of associates and 2 percent of partners at major law firms in the U.S.

And when it comes to running businesses, African Americans' numbers aren't that great either. For the year 2015, the U.S. Black Chamber of Commerce reported there were roughly 2.6 million businesses run by African Americans. Unfortunately the majority of those companies were sole proprietorships, meaning that they most likely that the owner was the only employee.

These statistics show how difficult it is for African Americans to build wealth. In fact, there are fewer black-owned banks, radio stations, television stations, and car dealerships than when the WSP began 22 years ago. Replacing those lost businesses will take a rebuilding strategy and a wholesale commitment from the community to managing money more responsibly.

Rev. Jackson says African Americans have journeyed through four stages of a 400 year struggle: Stage One – Ending slavery after 250 years in bondage; Stage two – Ending the Jim Crow era with its mass lynchings and terror campaigns; Stage three – Securing the right to vote; and currently, Stage Four – Securing access to capital, industry, technology and deal flow in the U.S. economy.

“We are in the early days of stage four,” says Rev. Jackson, noting that “We have freedom in our lives, but we don’t have equality.”

According to Rev. Jackson, there are some steps the African American community can take to move closer to gaining equality and the fruits that will come with the successful navigation of stage four of the struggle he outlined.

African Americans must commit to spending less than they make. “To close the wealth gap, we’ve got to spend less than we make,” Rev Jackson says. “Earn all that you can, but spend less than you make. It doesn’t matter if you earn more, if you spend more.”

It’s the simplest way to begin building wealth – you must save money to invest in building a future. There is no doubt that the growth of the black middle class, particularly among corporate executives, has increased the earning power of African Americans over the years. It’s time to consolidate that earning power for the welfare of the community.

Strategize the use of votes and dollars. With the money that is saved, invest in candidates that will execute policy that supports your communities. African Americans contributed funds to winning candidates that helped Democrats take back the House of Representatives. As a result, several black law makers are now in House committee chair positions.

“When these representatives speak to the Wall Street banks, they will have to listen because their committees have subpoena power,” says Rev. Jackson. “Now they can focus on creating a fairer economic system [using legislation].”

Don’t just be sign holders—become shareholders. African Americans often protest with their dollars by boycotting. When you buy into companies in significant numbers, you buy leverage and a seat at the table to negotiate. This is a principle the Wall Street Project emphasizes, negotiating for change.

“Become a shareholder [as a community]. Then when you want to discuss getting blacks into financial services and onto corporate boards, as a shareholder, they will respect our economic leverage,” says Rev. Jackson. “Between our political numbers, our votes and our dollars, there is no major company in America that can avoid dealing with us.”