

**REMARKS OF PROFESSOR MARK T. HARRIS, J.D.  
UNIVERSITY OF CALIFORNIA, MERCED  
MANAGEMENT AND BUSINESS ECONOMICS  
BEFORE THE CALIFORNIA LEGISLATIVE  
BLACK CAUCUS  
STATE OF BLACK CALIFORNIA:ECONOMICS  
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According to Scottish author and philosopher Thomas Carlyle, economics is the “**dismal**” **science**. This is so because of a reference first made that humanity was trapped in a world where population growth would always strain natural resources and bring widespread misery.

Stated differently, economics at its very essence, explores the science of scarcity, not enough nutritious food, or clean water, or breathable air.

With regard to African-Americans who make up a scant 6.5% of California’s almost 40 million person population, scarcity relative to our economic impact, is a vast understatement.

A few statistics to ponder relative to African-Americans:

## **WEALTH ACCUMULATION**

According to Forbes Magazine, white families on average, accumulate more wealth over their lives than African-American families which widens the wealth gap as they age.

According to the ***Federal Reserve's Survey of Consumer Finances***, in 2013, the median white household had \$13 in net wealth for every \$1 in net wealth of the median black household. Also, according to a Pew Charitable Trusts report.

**“With regard to the resources families available to them for financial emergencies, the typical white household has slightly more than one month’s worth of income in liquid savings, compared with just five days for the typical African-American household.”**

## **MULTI-GENERATIONAL POVERTY**

The same Federal Reserve report said that **whites are five times more likely to receive large gifts and inheritances from their families than blacks are and the amounts tend to be much larger for whites.** “That is African- Americans are start at financial at ground zero from generation to generation.

## **MEDIAN INCOME**

According to the Los Angeles Times, despite the President touting Black employment progress, African-Americans are the **ONLY** demographic group in the country earning less today than in the year 2000.

The **median income for an African-American household was was \$41,363 in 2000. In 2016, it had dropped to \$39,490,** according to U.S. Census Bureau data.

**Among African-American wage earners, the hourly pay gap has widened to the worst in 40 years.**

**Whites earned an average of \$25.22 an hour vs. \$18.49 for blacks**, the EPI says. Declining unionization, the failure to raise the minimum wage and lax enforcement of anti-discrimination laws have contributed to the growing black-white wage gap, according to the EPI.

## **HOME OWNERSHIP**

With regard to home ownership, after fair housing legislation was passed in 1968 during the Civil Rights era, the black homeownership rate increased for 30 years and reached nearly 50 percent in 2004. However, all those gains have been erased during the last 12 years.

The homeownership rate for black households ended 2016 at 41.7 percent, **near a 50-year low**, according to the U.S. Census Bureau. **Black homeownership hasn't been this low since the time when housing discrimination was legal.**

**The typical white household aged 47 to 64 has housing wealth of \$67,000; the typical African-American household in this age group has zero home equity**, according to the December 2016 report, "Social Security and the Racial Gap in

Retirement Wealth,” from the National Academy of Social Insurance.

With no equity in our homes, African-Americans cannot even use our real estate as collateral for business loans or even bail.

## **EMPLOYMENT**

African-American unemployment stands at roughly 7.7% as of January of 2018. This after dipping as low as 6.8% during December of 2017, which was the lowest unemployment rate for African-Americans since records were first being kept starting in January of 1972.

Just over 51% of African-Americans are employed wage earners; approximately 8% are unemployed; **AND over 41% are NOT IN THE LABOR FORCE AT ALL and do not even show up in “unemployment” statistics!**

## **BUSINESS OWNERSHIP**

Since the 2008 recession, lending to African-American businesses has fallen by 75 percent. Although small businesses employ 70 percent of all

workers, only six percent of African-American workers are hired by black-owned businesses.

**Nationally, of the close to 3 million black owned businesses, only 100,000 have employees.** The vast majority are populated with “consultants” or those whom serve as “independent contractors,” **without basic benefits such as healthcare or retirement.**

Black-owned businesses fly on tight operational runways.

**Fewer than 3% of small business owners make more than \$100,000 annually and fewer than 1/2 of 1% ever reach \$1 million dollars in total revenue.**

## **RETIREMENT PLANNING**

The average white family has more than **\$130,000 in liquid retirement savings** (cash in accounts such as 401(k)s, 403(b)s and IRAs) **vs. \$19,000 for the average African American.**

According to Prudential Wealth Management, **only one in 10 African Americans work with a**

## **financial professional compared with one in four white Americans.**

Financial illiteracy is more profound in our community because “many African-Americans have had no history of someone who was an elder who possessed a high financial I.Q. or someone who gave them some level of financial education in their household.” Furthermore, African-Americans have expressed high anxiety when attempting to receive financial advice on wealth building and management from non-minority owned professionals.

According to the Federal Reserve, the average balance of African Americans in **401(k)s is only \$23,000**. Social Security and the Racial Gap in Retirement Wealth found the average balance for African Americans in **IRAs was \$10,300, vs. \$105,600 for white Americans.**

Couple those numbers with the fact that the **average monthly Social Security retirement payment** is only **\$1,200!**

## **CAPITAL MARKETS INVESTMENTS**

With regard to stocks, bonds and other capital market investments, most analysts say that African-Americans often shy away from investing in the stock market. Whatever discretionary income we have, we tend not to invest in high yielding equities. **The Dow Jones Industrial Average of blue chip stocks is still near its ALL TIME high!** The African-American community has largely missed out on this increase in stock values. We must be **IN to WIN**, relative to capital market investment gains.

**“African Americans are risk-averse,”** says Deborah Owens, a former Fidelity Investments vice president who calls herself America’s Wealth Coach. **“So, one of the major reasons they have less in retirement savings is they are ultra-conservative, particularly African-Americans who work in the public sector and nonprofit organizations.”**

**Owens says black investors typically focus on guaranteed (e.g., annuities) or fixed income investments that are low-risk or virtually no-risk. As a result, their retirement funds aren’t compounding at a high rate of return.**



African-Americans must embrace the principle of **reasonable** investment risk. Our community is as capable as any in determining **whether “the juice is worth the squeeze”** relative to a risk/reward calculation.

## **5 RECOMMENDATIONS FOR YOU TO CONSIDER:**

**(1). INCREASE ACCESS TO CAPITAL FOR AFRICAN-AMERICAN OWNED BUSINESSES.**

**(2). RENEW EFFORTS IN CALIFORNIA DEMANDING THE RESURRECTION OF RACE-BASED “AFFIRMATIVE ACTION” IN EDUCATION, EMPLOYMENT AND PUBLIC CONTRACTING.**

**(3). INCREASE FINANCIAL LITERACY PARTICULARLY FOR YOUNG AFRICAN-AMERICANS.**

**(4). ADVOCATE FOR RENTAL HOUSING COST STABILIZATION (e.g., “RENT CONTROL) TO GIVE AFRICAN-AMERICANS MORE POTENTIAL CAPITAL WITH WHICH TO PURCHASE A HOME. ALSO, SUPPORT DOWN-PAYMENT**

**ASSISTANCE PROGRAMS LIKE THE OLD  
“NEHEMIAH HOUSING” MODEL THAT STARTED  
RIGHT HERE IN SACRAMENTO BEFORE IT  
EXPLODED ON THE NATIONAL SCENE. and  
finally,**

**(5). BLACK OWNED BUSINESSES SHOULD  
HIRE MORE OF OUR OWN! BE  
UNAPOLOGETICALLY BLACK IN HIRING!**

Thank-you very much for allowing me to address you this afternoon and offer my brief observations and suggestions.