

# DOUBLE STANDARDS

## & the War on Black Business Leaders

By Carlos Watson

When I received my acceptance letter from Harvard for college, I felt vindicated for all of the hard work that I, my parents and teachers had dedicated to my success. As the great grandson of a runaway slave, I knew how rare it is for [people of color to attend an Ivy League school](#). But I was determined to break through, and, with the grace of God, I did. I subsequently enrolled in Stanford Law School where I was honored to be an editor of the Law Review and president of the student government.

Stanford is in the heart of Silicon Valley, and when I received my law degree I knew what I wanted to be: an entrepreneur. Many of my Harvard and Stanford peers (such as Sheryl Sandberg), shared my ambition. I was confident. After all, I had played by the rules—working at McKinsey, Goldman Sachs, the White House and CNN—and earned the same opportunities that my white and Asian peers were now pursuing.

It was only then that I fully realized the two realities of life in America for people of color – the double-veil described by W.E.B. DuBois. For my counterparts, eager venture capitalists couldn't wait to hear about their start-ups so they could fund them. For black entrepreneurs like me, these same venture capitalists sat politely through pitches then explained why they couldn't invest. Don't take my word for it. According to a 2020 study, while African Americans make up 13 percent of the population, only [1 percent of technology venture capital goes to start-ups founded by black entrepreneurs](#).

Here is how the [Washington Post](#) describes the bias: "In tight knit social media groups and private email chains, black entrepreneurs share their Silicon Valley stories. It often starts with a racist comment from a venture capitalist or a subtle jab that reveals a deep bias. The stories usually have the same ending: a decision to pass on investing."

But I didn't let that stop me. I had a vision for a forward-looking new media company, named OZY, that would launch bold newsletters, award winning tv shows, powerful podcasts and distinctive festivals.

We raised about \$100 million by pure grit and God's good will. It was hard. At one point, I had to consider whether to appoint a white male as OZY CEO to placate the venture capitalists so we could get funding. I couldn't stomach that. So my family and I liquidated our life savings, made payroll (often barely), and we pressed on. And I succeeded in raising perhaps more money than any black founder/CEO ever in Silicon Valley history.

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Silicon Valley is famous for its “fake it till you make it.” ethos. Start-up founders sell a vision, then scramble to turn it into a reality after getting funded. That was especially true for OZY and such media start-up peers as Vice and BuzzFeed.

But that is where the similarities end.

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Take Vice’s Shane Smith. In a story that proclaims that [“Vice was built on lies,”](#) Wired Magazine details how Smith and his co-founder “faked their way onto the Canadian welfare rolls to launch their magazine, which was funded through a federal welfare-to-work program...They repeatedly lied to the press — telling them that they were being sued by the *Village Voice*, staging a made-up meeting with MTV, dropping the names of prospective investors they’d never actually met — and each time they saw their fortunes or reputation skyrocket.”

A story in New York magazine, [“Shane Smith grew Vice on the ‘greater fool theory,’ ”](#) details how Smith and VICE [lied about content, did shady things to make the company’s audience look bigger than it was, publicly bragged having investors it had never even met, and even hired someone to impersonate an MTV exec to win a deal.](#)

At OZY, we are accused of similarly audacious conduct. But while most is untrue, the few things that are true are dumb things I now regret.

But when a black entrepreneur does them, the two realities come back into play.

Shane Smith fakes it until he makes it and is called an “impressive salesman”. When I was accused of doing a fraction of what he actually did, the Department of Justice indicted me on fraud charges and called me a “con man.” Never mind that VICE filed for bankruptcy, squandering \$6 billion of investor money while Smith pocketed more than \$100 million.

There is a double-standard in this country when it comes to money and finances that we must confront. It’s pervasive. For example, a black family recently had their Baltimore home appraised for \$472,000. [Suspicious at the low amount](#), they asked a white colleague to pretend to be the homeowner and removed family pictures. The new appraisal? \$750,000.

My case has similar echoes. I am being treated different than my white peers. Heck, even different from my non-black OZY colleagues. Company executives Samir Rao and Suzee Han were offered sweetheart deals by the Department of Justice to testify against me.

Even the venue where I was charged is disturbing. I live in Northern California. OZY was based in California. Yet, it was the Brooklyn U.S. Attorney who filed charges against me. Why? I don’t know the answer, but I do know this. Brooklyn’s population is approximately 35 percent white, but over the last 5 years, the three white prosecutors in my case—Jon Siegel, Dylan Stern and Gillian Kassner—have only charged 6% of their cases against white defendants and 90 percent against black people and other people of color. Fair? I think not. Concerning? Definitely so.

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Americans intuitively understand the challenges facing black entrepreneurs. According to a recent survey, by a 4-1 margin Americans believe that a black entrepreneur is more likely to be charged with a crime for the same conduct as a white entrepreneur.

Let's call it what it is:  
"financial black codes."

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After the Civil War, southern states faced the prospect of losing the free labor that slavery provided. So they found a way around it by establishing so-called [black codes](#) that made it a crime for a black man not to have a job. Now that they had committed a "crime," these black prisoners could be forced to work for free.

Labeling the actions of black business leaders as crimes while ignoring the similar actions of white businesspeople is fundamentally a financial black code that, whether intentionally or unintentionally, limits the number of blacks that can reach the upper echelon of business. If you doubt it, ask yourself why executives at Lehman Brothers were not charged after investigations following the 2008 financial collapse found they engaged in shady accounting practices and made misleading statements. Or why no high-level Wells Fargo executives were charged after the financial institution was mired in scandal involving the creation of millions of unauthorized bank accounts in customers' names to meet sales targets.

Then consider the case of Franklin Raines, the first black CEO of a Fortune 500 company who was "curiously" accused of helping cause the 2008 financial crisis and faced civil charges in excess of \$90 million while no charges were brought against any of the giant Wall Street banks that actually drove the subprime crisis. Or the case of black San Francisco financier Calvin Grigsby, who was accused of corruption. He beat those charges, [but at the cost of the investment bank he founded](#). Or investor and philanthropist Robert Smith, the richest African American in the country, who came under the scrutiny of the IRS and had to pay \$139 million to settle one of the biggest tax evasion cases in history.

These aren't anecdotal examples of the double standard against black business leaders, just the tip of the iceberg.

As a nation we have to confront this double standard.

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If I'd been white, I'd probably be on a panel with Vice's Shane Smith and BuzzFeed's Jonah Peretti at a resort lamenting how "shifting sands" in the economy imperiled our media companies.

But I'm not.

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Like other black entrepreneurs, I now face the prospect of a prison sentence and financial ruin and effectively a Tulsa-like government taking of black wealth. And my investors, partners and my team, 90 percent of whom were women or people of color, have lost out on an opportunity for which they had worked long and hard.

That is because the Brooklyn US Attorney's Office decided that, of all the emerging businesses out there, it would make an example of black-owned, California based OZY and me. Not VICE and Shane Smith, which is around the corner from the U.S. Attorney's Office. Not Manhattan-based BuzzFeed and Jonah Peretti who just closed BuzzFeed News, has a history of "inaccuracy" and lost \$1 billion in investor money. Just me.

In fact, me speaking out like this may well result in the U.S. Attorney's Office punishing me by tacking on additional charges and making new allegations.

But just like I worked hard to get into Harvard, or raised money when many venture capitalists wouldn't fund a black entrepreneur, I intend to fight. I'm preparing for battle in a federal court. And once I'm done, I intend to dedicate myself to exposing and fighting these financial black codes so that the next generation of black leaders doesn't have to endure this unjust double-standard.

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Over the last year, I have been moved by the outpouring of support from friends, family, and colleagues – past and present. Even strangers have come forward who see through the baseless allegations and recognize the double veil in which I'm caught.

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Ron Sullivan, my attorney, is a tenured Harvard Law School professor who created the model of reviewing questionable prosecutions in his groundbreaking work in Brooklyn, winning exoneration for scores of defendants victimized by corrupt police work and prosecutorial misconduct.

I could not have come this far without faith in my innocence, faith in my creator and the faith of my family and friends. Thank you for your support.