Race and Entrepreneurial Success

Black-, Asian-, and White-Owned Businesses in the United States

Robert W. Fairlie and Alicia M. Robb
Index

_Aadarand Constructors Inc. v. Peña_, 184
Affirmative action programs, 20, 26–27, 183–185
African Americans, 1, 8–9, 175
affirmative action programs and, 20, 26–27, 183–185
apprenticeships and, 105–106
average sales and, 33–37, 97, 175
Blinder-Oaxaca technique and, 121–122, 139–140
business outcome patterns and, 1–7, 9–12, 121–125, 138–143
business success and, 62–66
children and, 98, 112–113
closure probabilities and, 122
college and, 99–100
consumer discrimination and, 26, 132–133
credit cards and, 116–117
Current Population Survey (CPS) and, 107
differential types of financing and, 114–117
education and, 3, 21, 98–101, 122, 124, 137–138, 149, 181, 185–186
family businesses and, 101–106, 136–137, 180–181
financial capital and, 107–119
gender issues and, 125–130
government jobs and, 26–27
high school dropouts and, 99
home ownership and, 109–112
human capital and, 101–107
industry distribution and, 119–121, 130–132
inheritance and, 105, 112–113, 125, 137
intergenerational pickup rate and, 104–105
marital status and, 102–103, 187–188
median asset levels of, 109–111
migration and, 21
net worth of, 108–109, 178
nonlinear decomposition method and, 121–122, 137–141
nonmarital birth and, 102
number of employees and, 37
self-employment rates and, 16, 19, 21–22, 97, 104–105, 114–117, 175
single-parent families and, 102–103
slavery and, 4
small business outcomes and, 137–138
social networks and, 133–136
wealth and, 3, 22–23, 107–119, 136
work experience and, 106–107, 124–125, 170
Alaskan natives, 155
Aldrich, H., 25, 147, 150
Aleuts, 201
Allen, W. D., 24–25, 135
Altonji, J. G., 109, 111
Amato, P. R., 102
American Indians, 155, 157, 201
Annual Retail Trade Survey, 190
Annual Survey of Manufacturers, 190
Asian Americans
average sales and, 35–37
business outcome patterns and, 2–7, 10–12, 146–147, 167–172
Asian Americans (cont.)
Canada and, 145–146
Characteristics of Business Owners (CBO) data and, 103, 137, 146, 149–165, 172–174
Chinese, 145, 164–166
closure probabilities and, 145
English language and, 148, 150–151, 164–165
Korean, 145, 148, 164–166
Latin group differences and, 45–47
literature on, 145–146
marital status and, 152, 167
net worth of, 155
niche markets and, 147–148
nonmarital births and, 152
number of employees and, 37
Public Use Microdata Sample File (PUMS) and, 165
regional differences and, 169
retail trade and, 160
rotating credit associations and, 157–158
self-employment rates and, 15, 22, 145–146, 213n3
social networks and, 147–148, 155–158
startup capital and, 12, 157–159, 167, 170, 172–173, 177, 179
subgroups and, 45–47, 163–166
success of, 6–7, 10–12, 62–66, 145–177
Survey of Business Owners (SBO) and, 165
Survey of Income and Program Participation (SIPP) and, 155
Survey of Small Business Finances (SSBF) and, 157
types of financing and, 155–158
United Kingdom and, 145–146
Vietnamese, 148, 166
wealth levels of, 3, 23, 155
work experience and, 152–153, 169–170
Aspen Institute, 182–183
Astebro, T., 66, 149
Avery, R. B., 111, 125
Bates, T., 3, 183–184, 197, 199
Blinder, A. S., 121, 167
Boston, T. D., 2, 20, 176, 184
Bronars, S., 26, 132–133
Brunderl, J., 68
Bruce, D., 65
Bruderl, J., 68
Brush, C., 64–65
Bucks, B. K., 1, 176
Business Information Tracking Series (BITS), 45, 67, 87, 118
Business outcomes
African Americans and, 1–7, 9–12, 121–125, 138–143
age of business and, 90
Asian Americans and, 2–7, 10–12, 146–147, 167–172
causes of black/white differences in, 121–125
data sources for, 13–14
education and, 10, 50–53, 66–67 (see also Education)
industry sector and, 84–90
policy implications for, 182–188
racial patterns in, 1–12, 33–48 (see also Racial patterns)
regression analysis and, 61–66
Business ownership
African Americans and, 97–143 (see also African Americans)
Asian Americans and, 145–174 (see also Asian Americans)
family, 8, 24 (see also Family businesses) gender issues and, 125–130 inheritances and, 56–58 labor-market discrimination and, 25 minority difference estimates of, 27–33 racial difference in, 1–7, 14–15, 21–27 recent trends in, 13–21, 27–29 SBO/SMOBE comparisons and, 29–32 transfers/gifts and, 57
Closure, 68–69, 122, 145, 177–178
Coate, S., 25
Cobb-Clark, D. A., 22
Coleman, S., 26, 113
College, 99–100, 181
Conley, D., 111
Construction industry, 160–161
Consumer discrimination, 26, 132–133
Cooper, A. C., 65
Credit cards, 116–117
Current Population Survey (CPS), 6–9, 47, 107, 189, 204–205
business ownership and, 21–26
customer discrimination and, 26
dataset description of, 199–201
education and, 23–24
individual/business-level data and, 201–203
microdata of, 13–14
minority estimates of, 27–33
Outgoing Rotation Group Files and, 13–14, 199–201
SBO/SMOE comparisons and, 29–32
self-employment and, 14–15, 19

Davidsson, P., 135
Dawkins, C. J., 25
Devine, T. J., 65
Disadvantaged-business-enterprise (DBE) programs, 184
Doolittle, F., 182
Doraszelski, U., 109, 111
Drake, S. C., 4, 136
Drinkwater, S., 146
Du Bois, W. E. B., 4, 136
Dunn, T. A., 4, 24, 102, 136
inheritances and, 58
intergenerational links and, 95
success determinants and, 50, 53–54
work experience and, 56

Education, 8, 10, 91
accounting and, 51
African Americans and, 3, 21, 98–101, 122, 124, 137–138, 149, 181, 185–186
apprenticeships and, 53
average sales and, 52
Blinder-Oaxaca decomposition technique and, 122
business success and, 50–53, 66–67, 100–101, 149–151
college and, 99–100, 181
Current Population Survey (CPS) and, 23–24
English language skills and, 24, 148, 150–151, 164–165
gender and, 71
graduate level, 67
high school dropouts and, 52, 67, 99
industry distribution and, 121
Latinos and, 19
marketing and, 51
mentoring programs and, 186–187
policy implications for, 181, 185–186
work experience and, 56, 59–60, 68–70, 74, 106–107, 124–125, 152–153, 169–170
Enchautegui, M. E., 184
English language, 24, 148, 150–151, 164–165
Entrepreneurs
apprenticeships and, 186–187
business outcome patterns and, 1–7
customer discrimination and, 132–133
correlation of preferences and, 53–55
ethnic enclaves and, 147–148
family businesses and, 53–59, 92–96
high-risk ventures and, 86
inheritances and, 56–58
minority clientele and, 148
perceived earnings and, 21–22
policy implications for, 182–188
standard model for, 4–5
strong desire for, 182
Equations
Blinder-Oaxaca, 139
intergenerational pickup rate, 94
nonlinear decomposition, 139, 141
self-employment probability, 94
Eskimos, 201
Ethnic enclaves, 25, 147–148. See also Social networks
Evans, D., 5, 21

Fairlie, Robert W., 2–4, 184, 201
African Americans and, 97–98, 102, 113–114, 117, 119, 122, 135–136, 139
Asian Americans and, 146, 169
family businesses and, 53–54
nonlinear decomposition, 122, 138–141, 167
ownership disparities and, 19–24, 26
social networks and, 25
startup capital and, 83, 97
success determinants and, 50
Family businesses, 107
apprenticeships and, 53, 105–106
Asian Americans and, 151–153, 180–181
background effects and, 53–54, 58–59, 61–66
business outcome effects and, 67–69
Characteristics of Business Owners (CBO) data and, 179–180
children and, 53–54
closure probability and, 68
correlation of abilities and, 53–54
correlation of preferences and, 53–55
data sensitivity and, 78
gender and, 71, 74
human capital and, 53, 151–154
inheritances and, 56–58, 68–69, 74, 105, 112–113, 125, 137, 210n14
intergenerational links and, 53–59, 68–69, 92–96
policy implications for, 179–181
racial patterns in, 103–106
regression analysis of, 61–66
single-parent families and, 102–103
startup capital and, 89–90
study conclusions for, 179–181
work experience and, 56, 179–180
Farber, H. S., 169
Feagin, J. R., 25, 86, 121, 135
Fernandez, M., 145, 150
Finance, insurance, and real estate (FIRE) industries, 151
Fink, B., 182
Fratoe, F., 135, 148
Frazier, E. F., 4, 136
Gazelles, 176
Gender issues, 207n3
African Americans and, 125–130
business success and, 64–65, 71–76
education and, 71
inheritance and, 74
social networks and, 64–65
spouse influence and, 65–66
Survey of Minority- and Women-Owned Business Enterprises (SMOBE/SWOBE) and, 190–197
work experience and, 74
Germany, 68, 182
Gil, R., 147
Gittleman, M., 111, 125
Glazer, N., 103
Government jobs, 26–27
Graham, D., 109
Greeks, 2
Greene, P., 148
Growth. See also Business success barriers to, 2–3
minority estimates of, 27–33
population, 28–29
Guy, C., 182
Handy, J., 191, 197
Hao, L., 23, 155
Hartmann, W. R., 147
Headd, B., 45, 87, 149, 197, 202
High school dropouts, 52, 67, 99
Hildebrand, V., 22
Holtz-Eakin, D., 2, 4, 24
African Americans and, 102, 112, 125, 136
inheritances and, 58
intergenerational links and, 95
startup capital and, 83
success determinants and, 50, 53–54
work experience and, 56
Home ownership, 83–84, 109, 111–112
Honig, B., 135
Hout, M., 3–4
African Americans and, 98, 102–105, 136
Asian Americans and, 145
ownership disparities and, 24
success determinants and, 53
Howell, D., 25, 86, 121, 135
Human capital, 97, 188
African Americans and, 101–107
apprenticeships and, 53
Asian Americans and, 146, 149, 151–154
business success and, 59–60, 69–70, 93
education and, 66–67, 149–151 (see also Education)
family-business background and, 53–59, 67–69, 179–180
general business, 53, 105
intergenerational links and, 53–59, 92–96
policy implications for, 181
racial patterns in, 106–107
regression analysis of, 61–66
social networks and, 147–148 (see also Social networks)
specific business and, 53, 105
standard model of, 4–5
study conclusions for, 181
work experience and, 56, 59–60, 68–70, 74, 106–107, 124–125
Hurh, W. M., 145, 150
Hurst, E., 22, 111

Imani, N., 25, 86, 121, 135

Income. See also Business success
personal wealth importance and, 22–23
self-employment earnings and, 21–22
wage discrimination and, 25

Individual development accounts (IDAs), 186

Industry
African Americans and, 119–121, 130–132
Asian Americans and, 159–161
business success and, 84–87
construction, 160–161
high-risk, 86
personal services, 85–86, 120, 160
retail, 160
skilled labor and, 121
startup capital and, 87–90, 130–132
survival rates and, 84–87
transportation, communications, and public utilities, 120

Inheritances, 210n4
African Americans and, 105, 112–113, 125, 137
gender and, 74
success determinants and, 56–58, 68–69

Initiative 200, 184

Intergenerational links
African Americans and, 104–105
business success and, 53–59, 68–69, 92–96
closure probability and, 68–69
estimation of, 93–96
pickup rate and, 94

Internal Revenue Service (IRS), 6

Italianos, 176, 190
average sales and, 33–37
business outcome patterns and, 1–12
education and, 19
median asset levels of, 110
number of employees and, 37
ownership rates and, 15
personal wealth importance and, 22–23
self-employment rates and, 19, 21–22
social networks and, 25
subgroups, 45–47
success rates and, 62–66

Legal issues, 184, 186

Lentz, B., 4, 24, 53, 55, 60, 102, 105, 136

Levine, K., 3, 26, 98, 109, 111, 113, 178

Light, I., 25, 145, 147, 158, 165

Liquidity, 2, 182
African Americans and, 107
personal wealth importance and, 22–23
startup capital and, 81–84

Loan Program, 183

Loans
African Americans and, 178
Asian Americans and, 155–160
text barrier reduction and, 184–185
rotating credit associations and, 157–158
social networks and, 147, 155–158
Survey of Small Business Finances (SSBF) and, 157

Loewen, J. W., 145

Lofstrom, M., 23–24

Logit regressions, 139, 210n9, 10, 212n10

Lohmann, H., 65

Lombard, K. V., 65

Lucas, R., 149

Lusardi, A., 22

Kennickell, A. B., 1, 176

Kihlstrom, R., 21

Kijakazi, K., 199

Kim, K., 145, 150

Knight, F., 149

Kosanovich, W. T., 182

Kourilsky, M. L., 22, 182

Krashinsky, H. A., 66, 83, 169

Kwuon, I. J., 158

Laband, D., 4, 24, 50, 53, 55, 102, 105, 136

Laffont, J.-J., 21

Langlois, A., 25

Latinos, 176, 190

average sales and, 33–37
business outcome patterns and, 1–12
education and, 19
median asset levels of, 110
number of employees and, 37
ownership rates and, 15
personal wealth importance and, 22–23
self-employment rates and, 19, 21–22
social networks and, 25
subgroups, 45–47
success rates and, 62–66

Legal issues, 184, 186

Lentz, B., 4, 24, 53, 55, 60, 102, 105, 136

Levine, K., 3, 26, 98, 109, 111, 113, 178

Light, I., 25, 145, 147, 158, 165

Liquidity, 2, 182

African Americans and, 107
personal wealth importance and, 22–23
startup capital and, 81–84

Loan Program, 183

Loans
African Americans and, 178
Asian Americans and, 155–160
text barrier reduction and, 184–185
rotating credit associations and, 157–158
social networks and, 147, 155–158
Survey of Small Business Finances (SSBF) and, 157

Loewen, J. W., 145

Lofstrom, M., 23–24

Logit regressions, 139, 210n9, 10, 212n10

Lohmann, H., 65

Lombard, K. V., 65

Lucas, R., 149

Lusardi, A., 22

Jianakoplos, N. A., 111, 125

Joint Center for Political and Economic Studies, 2

Jones, F. L., 140

Joulfaian, D., 83, 112, 125

Jovanovic, B., 5, 21, 149

Kalnins, A., 147

Kassoudji, S., 24, 150, 160

Kauffman Firm Survey (KFS), 203

Kawaguchi, D., 26, 133
Racial patterns (cont.)
Survey of Minority-Owned Business Enterprises (SMOBE) and, 190–197
twentieth-century trends and, 20–21
Ransom, M., 140
Rauch, J. E., 135
Razin, E., 25
Rees, H., 22
Regression analysis, 10
age of business and, 90
black/white outcome differences and, 138–143
Blinder-Oaxaca technique and, 121–122, 139–140
business success and, 61–66, 92
data sensitivity and, 77–80
gender and, 71–76
industry estimates and, 87–90
inheritances and, 68–69
intergenerational links and, 93–96
logit, 139, 210ln9,10, 212n10
marital status and, 65–66
multiple imputation and, 80–81
nonlinear decomposition method and, 121–122, 138–141
part-time employment and, 62
startup capital and, 62, 87–90
work experience and, 69–70
Rendall, M. S., 111, 125
Retail trade, 190
African Americans and, 119, 135
Asian Americans and, 150–151, 159–160
success determinants and, 84–89
Reynolds, P., 2, 84, 119
Rice, M. F., 183
Richmond v. J. A. Croson Co., 184
Robb, Alicia M., 191, 197, 199
African Americans and, 98, 112–114, 117–119, 121–122, 132
Asian Americans and, 146, 149, 151, 157
industry sector and, 86
ownership disparities and, 26
success determinants and, 65–66, 84, 87
Rosen, H., 2–4
African Americans and, 98, 102–105, 112, 125, 136
Asian Americans and, 145
ownership disparities and, 24
success determinants and, 53
startup capital and, 83
Rotating credit associations, 157–158
Sandefur, G., 102
Saxenian, A., 147
Scholz, J. K., 109, 111
Schumpeter, J. A., 149
S corporations, 197
Self-employment, 4. See also Business ownership
African Americans and, 16, 19, 21–22, 97, 104–105, 114–117, 175
Asian Americans and, 15, 22, 145–146, 213n3
asset levels and, 23
business success and, 49–96 (see also Business success)
C corporations and, 29, 33
closure probabilities and, 68–69, 122, 145, 177–178
customer discrimination and, 26
Current Population Survey (CPS) and, 14–15
definition of, 14–15
demographics of, 1
education and, 23–24 (see also Education)
employment distributions and, 40
family businesses and, 53–59, 92–96
federal government and, 182–188
gender and, 64–65, 125–130
inheritances and, 56–58, 68–69
intergenerational links and, 54–56, 58–59, 92–96
limited English ability and, 24, 148, 150–151, 164–165
perceived earnings and, 21–22
personal wealth importance and, 22–23
policy implications for, 182–188
preference for, 182
pushed/pulled into, 150–151
regression analysis of, 61–66
S corporations and, 197
single-parent families and, 102–103
social networks and, 24–25, 133–136
spouse influence and, 65–66
standard economic model and, 21–22
twentieth century trends and, 20–21
type of work and, 22
wage discrimination and, 25
wealth and, 1
welfare rolls and, 182
Seltzer, J., 102
Service Corps of Retired Executives (SCORE), 186
Servon, L. J., 183
Shah, A., 22
Shapiro, T. M., 109
Single-parent families, 102–103
Slavery, 4
Small Business Act, 186
Small businesses, 137
causes of black/white outcome differences and, 121–125
Characteristics of Business Owners (CBO) data and, 47–48, 85, 177
closure probability and, 68–69, 122, 145, 177–178
consumer discrimination and, 132–133
correlation of preferences and, 53–55
data sensitivity and, 77–80
family businesses and, 53–59, 92–96 (see also Family businesses)
tergenerational links and, 53–56, 68–69, 92–96
lending discrimination and, 26, 98, 107–108, 113–114, 178
Survey of Small Business Finances (SSBF) and, 157
U.S. Small Business Administration and, 29, 182–183, 186
Small disadvantaged businesses (SDBs), 183
Social networks, 24–25
African Americans and, 133–136
Asian Americans and, 147–148, 155–158
English language and, 148
ethnic resources and, 147–148
gender and, 64–65
as information source, 147–148
loans and, 147, 155–158
market access and, 147–148
protected-market hypothesis and, 147–148
Sowell, T., 25
Srinivasan, R., 65
Standard Metropolitan Statistical Areas (SMSAs), 25
Startup capital
age of business and, 90–92
alternative sources for, 114, 116–117
Asian Americans and, 12, 157–159, 167, 170, 172–173, 177, 179
business success and, 62, 81–84, 87–92
closure probabilities and, 177–178
data sensitivity and, 78
equity issues and, 116
family businesses and, 89–90
industry distribution and, 87–90, 130–132
lending discrimination and, 26, 98, 107–108, 113–114, 178
liquidity and, 81–84
owner wealth and, 83–84
regression analysis and, 62
study conclusions for, 177–179
Stutzer, A., 182
Survey of Business Owners (SBO), 6–7, 9–10, 200, 204–205, 213n6
Asian Americans and, 46, 165
average sales and, 36–37
casual businesses and, 77
Current Population Survey (CPS) estimates and, 29–32
dataset description of, 189–197
individual/business-level data and, 201–203
Latinos and, 46
minority estimates of, 27–33
ownership disparities and, 14, 41, 45, 47–48
racial pattern data and, 41–45
Survey of Consumer Finances (SCF), 57, 83
Survey of Income and Program Participation (SIPP), 22–23, 109, 155, 204
Survey of Minority- and Women-Owned Business Enterprises (SMOBE/SWOBE), 190
Survey of Minority-Owned Business Enterprises (SMOBE), 7, 9–10, 200, 204–205
average sales and, 37
casual businesses and, 77
C corporations and, 29, 33
Current Population Survey (CPS) estimates and, 29–32
dataset description of, 189–197
individual/business-level data and, 201–203
industry sector and, 85
minority estimates of, 27–33
ownership disparities and, 14, 41, 45, 47–48
racial pattern data and, 41–45
regression analysis and, 65
Survey of Small Business Finances (SSBF), 203
African Americans and, 105, 112–113, 117
Asian Americans and, 157
ownership disparities and, 26
success determinants and, 57, 83
Swinton, D., 191, 197

Tennyson, S., 25
Transportation, communications, and public utilities, 120
Tucker, M., 102

United Kingdom, 145–146
U.S. Census Bureau, 1, 3, 5–6, 202
Asian Americans and, 152, 155, 159, 166
CBO and, 197–199 (see also Characteristics of Business Owners [CBO])
CPS and, 199–201 (see also Current Population Survey [CPS])
minority estimates of, 27–33
nonmarital birth and, 102
ownership issues and, 13, 23, 26
success determinants and, 50, 78
U.S. Department of Labor, 182
U.S. Federal Reserve System, 203
U.S. Small Business Administration (SBA), 29, 182–183, 186
U.S. Supreme Court, 184

van der Sluis, J., 67
van Praag, M., 67
Vijverberg, W., 67
Vroman, W., 182

Wainwright, J., 184
Waldinger, R., 25, 147–148, 150
Walstad, W. B., 22, 182
Wang, C., 23–24
Ward, R., 147, 150
Wealth, 176
Asian Americans and, 155
black/white differences in, 108–112
business outcome patterns and, 1–7
family, 112–113
home ownership and, 83–84, 109, 111–112
importance of personal, 22–23
self-employment and, 1
startup capital and, 81–84
whites and, 3, 108–112, 155
Weathers, R., 2
White, S., 84, 119
Whites, 175
Asian business outcome comparison and, 167–172
average net worth of, 108–109
business success and, 1–12, 62–66
credit cards and, 117
education and, 19, 181
employment distributions and, 40
home ownership and, 109, 111
hours worked by, 161–163
industry distribution and, 119–121
marital status and, 102, 152
median asset levels of, 109–111
nonmarital births and, 102
personal services and, 120
self-employment rates of, 15–16, 19, 21–22, 97, 104–105
startup capital and, 114–117
Survey of Income and Program Participation (SIPP) and, 155
wealth levels of, 3, 108–112, 155
Williams, D., 184
Wilson, W. J., 102
Wolf, E. N., 22, 111, 125
Wolken, J., 3, 26, 83, 98, 112–114, 157, 178
Woo, C., 65
Woodruff, C., 23–25
Work experience, 69–70, 178
African Americans and, 106–107, 124–125, 170
apprenticeships and, 53, 105–106, 186–187
Asian Americans and, 152–153, 169–170
closure probability and, 68
family businesses and, 56, 179–180
gender and, 74
mentoring programs and, 186–187
Yinger, J., 26, 113
Yoon, I.-J., 148, 158, 165
Zhao, B., 26, 113
Zhong, D., 158
Zhou, M., 147, 163
Zimmerman, D., 3, 26, 98, 113, 178