
Black business during the bust: examining the impact of the great recession on black entrepreneurship

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Key Words

Entrepreneurship, black-white gap, race, black owned business, The Great Recession, self-employment

Abstract

Much of the literature on minority entrepreneurship in general and black business ownership in particular attempts to explain disparity by examining differences in resource allocation in terms of financial, social, or human capital. This study will contribute to the literature on entrepreneurship and race by exploring the ways in which changes in macroeconomic conditions may disproportionately impact business ownership rates and outcomes by race. The Great Recession will serve as a case study for me to examine the role of economic downturn in black business creation and survival. Data from the Survey of Consumer Finances (SCF) will be used to estimate the probability of firm creation and survival before, during, and after the recession.

First, I will pool cross-sectional data to establish patterns of business starts and survival among blacks and whites over time. Then, I will exploit the panel structure of the SCF for 2007 and its corresponding 2009 re-interview data to observe the effects of the Great Recession on respondent behavior. Using logistic regression analysis I will estimate the probability of starting a business in 2009 on the respondent's race and a vector of other respondent characteristic from the 2007 survey. Blinder–Oaxaca decomposition will determine which factors help explain potential racial disparities. Similar analysis will be employed to measure and explain black-white differences in business survival rates. Results may offer insights for policy makers seeking to better understand the factors which contribute to changes in business ownership rates overtime and aid them in developing policies to address underlying factors.
