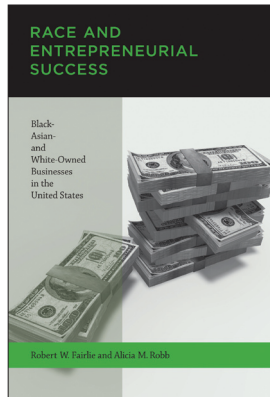


Race and Entrepreneurial Success

BLACK-, ASIAN-, AND WHITE-OWNED BUSINESSES IN THE UNITED STATES

Robert W. Fairlie and Alicia M. Robb



Thirteen million people in the United States—roughly one in ten workers—own a business. And yet rates of business ownership among African Americans are much lower and have been so throughout the twentieth century. In addition, and perhaps more importantly, businesses owned by African Americans tend to have lower sales, fewer employees and smaller payrolls, lower profits, and higher closure rates. In contrast, Asian American-owned businesses tend to be more successful. In *Race and Entrepreneurial Success*, minority entrepreneurship authorities Robert Fairlie and Alicia Robb examine racial disparities in business performance. Drawing on the rarely used, restricted-access Characteristics of Business Owners (CBO) dataset compiled by the U.S. Census Bureau, Fairlie and Robb examine in particular why Asian-owned firms perform well in comparison to white-owned businesses and black-owned firms typically do not. They also explore the broader question of why some entrepreneurs are successful and others are not.

“The relationship between race and entrepreneurial success is a critical social issue. Fairlie and Robb provide a comprehensive discussion of the existing empirical literature in addition to presenting important new results. This volume is required reading for anyone who wants to understand racial differences in the propensity to start and grow new businesses.”

— **Harvey Rosen, Department of Economics, Princeton University**

“This book does what few other books do. It looks at the data on race and entrepreneurship and uses the facts, not ideology, to provide the correct answers. If you are an entrepreneur, policy maker, researcher or concerned citizen who cares about racial differences in entrepreneurial success then you need to read this book.”

— **Scott Shane, author of *Illusions of Entrepreneurship: The Costly Myths that Entrepreneurs, Investors, and Policy Makers Live By***

“The relationship between race and ethnicity on the one hand and entrepreneurial activity and success on the other has attracted much discussion. But much of our understanding has been based on anecdote and preconception, rather than facts. Fairlie and Robb’s book is a much-needed contribution, with careful research that dramatically enhances our understanding of this vital topic.”

— **Josh Lerner, Jacob H. Schiff Professor of Investment Banking, Harvard Business School**

After providing new comprehensive estimates of recent trends in minority business ownership and performance, the authors examine the importance of human capital, financial capital, and family business background in successful business ownership. They find that a high level of startup capital is the most important factor contributing to the success of Asian-owned businesses, and that the lack of startup money for black businesses (attributable to the fact that nearly half of all black families have less than \$6,000 in total wealth) contributes to their relative lack of success. In addition, higher education levels among Asian business owners explain much of their success relative to both white- and African American-owned businesses. Finally, Fairlie and Robb find that black entrepreneurs have fewer opportunities than white entrepreneurs to acquire valuable pre-business work experience through working in family businesses.

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