Why Black Owned Businesses Are Less Successful & The Overall Wealth Gap’s Effect On The Economy

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Things to discuss

Agenda:
• Background Data
• Human Capital
  o The Family Dynamic
• Access to Start-up Capital
• Industry of the Business
• Thomas Piketty’s R > G
Only 3.8% of Black workers are self-employed business owners, compared to 11.6% of White workers.
Only 13.9% of Black-owned firms have annual profits of $10,000 or more, compared to 30.4% of White-owned firms.
The average probability of business closure between 1992 and 1996 was **26.9%**

For Black-owned firms compared to 22.6% for White-owned firms.
Human Capital

What is Human Capital?
The Family Dynamic

How does your upbringing impact your likelihood of success in business ownership?
Black Men Face a “Triple Disadvantage”

1. Less Likely to have a self-employed father
2. Less Likely to become self-employed if their father is not
3. Less Likely to follow their father in self-employment
The Bigger Picture
Access to Start-up Capital

What do you think?
Where to start

1. Low levels of personal wealth
2. Less family wealth through inheritances
3. Lending discrimination
The Bigger Picture
Industry of the Business

What do you think?
Representation Matters

Black firms are more concentrated in
- transportation
- communications and public utilities
- personal services

Black firms are underrepresented in
- construction
- manufacturing
- wholesale trade
- agricultural services and finance
- insurance
- real estate
The Bigger Picture
Let’s Unpack

Video Takeaways

\[ R > g \]

**R** = the return to capital

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**R** = 5%

**G** = the growth rate of the economy

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\[ G \approx 0 \text{ and has only recently reached a level of 1 to 2\%} \]

**History**

Piketty argues that historic data is misleading

**Capitalism & Inequality**

Piketty argues that capitalism plays a role in inequality

**Global Taxation**

Piketty proposes a global taxation
What is Piketty’s Idea of the Worst-Case Scenario?
The Biggest Picture

- Human Capital
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Any Questions?