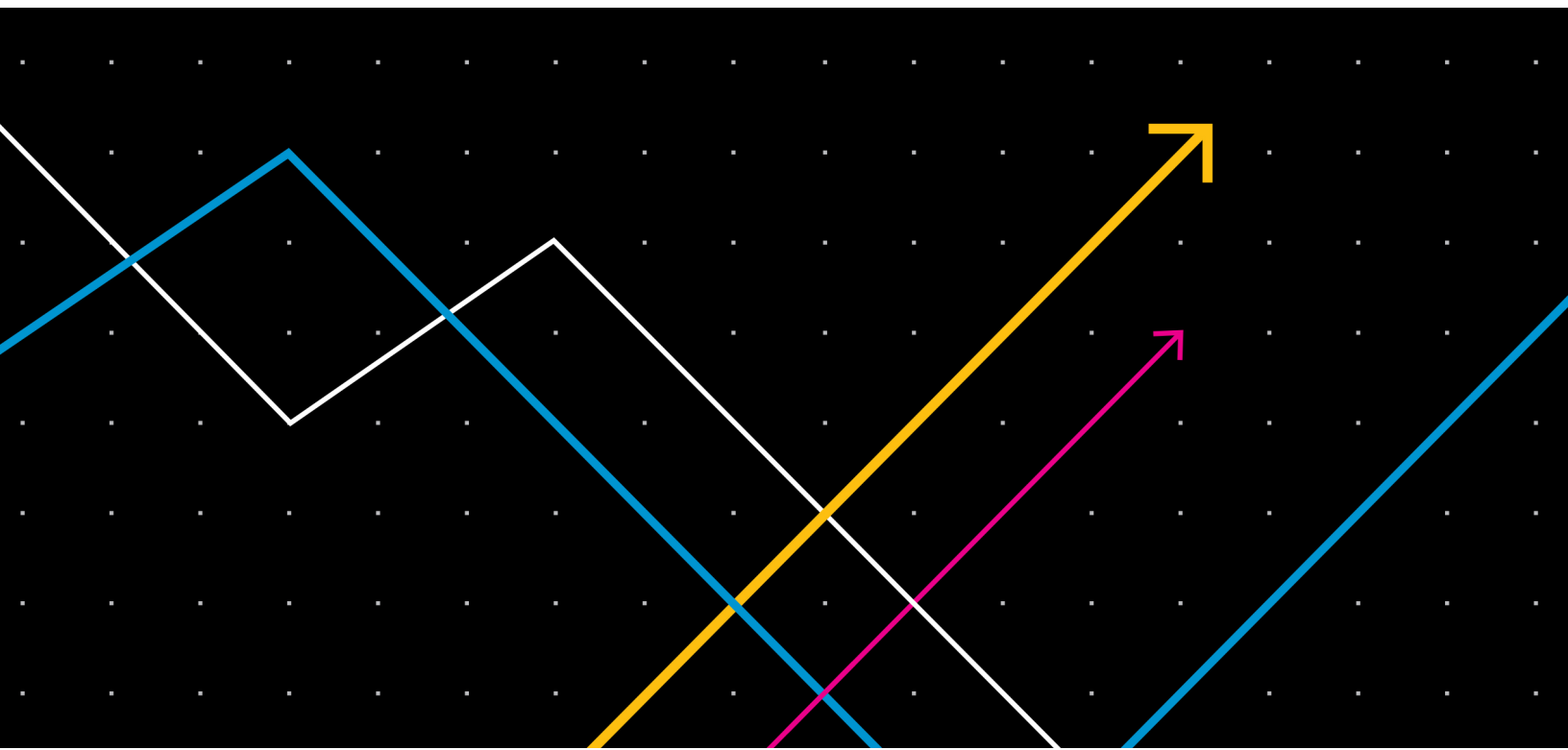




RESEARCH REPORT

How Racial Disparities in Small Business Ownership Affect Black Wealth and Economic Prosperity

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Executive Summary

Economic development, equitably distributed, can enhance a city's growth. Several factors, including investing in infrastructure, promoting innovation and entrepreneurship, enhancing human capital, strengthening institutions, and fostering social cohesion, are critical to achieving inclusive growth (OECD 2018). Small businesses can help a city achieve these factors and in turn help it achieve inclusive growth.

Small businesses play an integral role in local economies, invigorating communities and supporting local economic development. In turn, small businesses can, through hiring and innovative activities, benefit cities by increasing employment and productivity. In addition, business ownership is a tool for family wealth accumulation: in aggregate, business equity is the second-largest form of wealth after homeownership.

Racial inequalities prevail at each stage of business outcomes, however, contributing to the lack of wealth among Black individuals and communities. Black individuals are less likely to form businesses, and the businesses they do form tend to be smaller in terms of size and commercial activity. In addition, Black families are less likely to hold any business equity.

By taking the necessary steps to reduce barriers to small business ownership, cities can help to reduce these disparities in wealth while also benefiting their local economies. This includes providing technical assistance, capital access, and labor availability. But the needs of existing and potential Black-owned small businesses can be greater, as evidenced by the abovementioned racial disparities in these areas. Addressing racial disparities in small business outcomes not only can help narrow the racial wealth disparities between Black and White households, but also lead one to imagine how cities can be enhanced by the creation and sustainability of Black-owned businesses. City officials and policymakers can take the following actions to help Black-owned businesses emerge and thrive:

- Create an impact report exploring the entrepreneurial ecosystem for Black entrepreneurs.
- Equip Black-owned businesses with expert financial, technical, and business resources to set them up for success through capacity-building efforts.
- Facilitate business connections between corporations and public sector agencies and certified minority-owned businesses to advance the economic development of local communities.

As cities pursue policies supporting small businesses, they must also acknowledge how the landscape has changed. Technology has helped reduce barriers small businesses face and helped open

new markets to them. Crowdfunding and peer-to-peer learning are new funding sources that could help small businesses. In addition, social responsibility is increasingly a goal of small businesses.¹ But although these emerging trends pose opportunities, they also carry risks. The information in this report (and in this project's forthcoming publications) can help cities boost their economic activity by supporting Black-owned small businesses and narrowing the racial wealth divide.

How US Cities Can Support Black-Owned Small Businesses to Boost Collective Prosperity

Business ownership is an important source of wealth, but it is unevenly distributed across racial and ethnic groups (Bhutta et al. 2020). Compared with White households, Black households are less likely to form, grow, and sustain businesses. As demonstrated throughout this report, business equity is a key part of a household's aggregate balance sheet. But racial disparities in business formation contribute to the broader wealth divide between Black and White households. As a result, predominantly Black communities have relatively less economic vitality than predominantly White communities (Ford et al. 2024).

Municipal public policy has long sought to support Black-owned businesses as a path toward greater wealth accumulation and economic activity, most notably in 1974 with Atlanta mayor Maynard Jackson's effort to boost minority-owned businesses in the city's airport,² an effort that increased the share of contracts that went to Black-owned firms. This procurement policy has been reported to have greatly contributed to the expansion of Atlanta's Black middle and upper classes.³

This example provides anecdotal evidence of how local public policy can boost outcomes for Black-owned businesses. And in turn, these businesses can contribute to the economies in which they operate. This virtuous cycle, combined with the racial disparities in business outcomes, motivates this project's exploration into what local economies miss out on when Black-owned businesses do not thrive or are not economically integrated in the local communities in which they exist.

This project seeks to understand this phenomenon and other costs cities may incur by not supporting Black-owned small businesses. Furthermore, we will explore how local economies and cities experience increased overall prosperity and sustainable growth when Black individuals participate fully in local economies. Because of its potential for creating jobs and productivity for cities' economies, as well as wealth accumulation for families, business ownership is the primary indicator we use to explore how participation of Black households in local economies creates prosperity and sustainable growth. Through business prosperity, the next generation of Black individuals and families can be made better off, choice and collective action that preserves the cultural

fabric of Black communities can be increased, and public as well as private institutions can help stimulate local economic growth.

In our broader project, a collaboration with the Black Wealth Data Center, we will use data-informed insights to quantify and contextualize the challenge of racial wealth inequities in business ownership. This report, the first in a series on how Black entrepreneurship can enhance local economic development, introduces and frames outcomes for Black-owned small businesses. This report investigates how public interventions in small business ownership implemented by city officials and local policymakers can simultaneously increase economic prosperity and advance racial equity.⁴ This report introduces the key barriers to reducing the racial disparities in business ownership and presents examples of how cities have begun to implement policies targeting these disparities. This report, however, does not provide policy recommendations.

Our next report will build on the information documented in this report by providing a landscape analysis to understand how local economies and cities (with majority-Black populations) measure and describe prosperity and sustainable growth when Black individuals participate fully in local economies. A third report will discuss the implications for cities using intervention tools provided by Urban and for the racial equity field. The third report will provide recommendations on how cities can support Black-owned small businesses while boosting overall economic prosperity. Ultimately, this will suggest areas for future investigation.

The Racial Wealth Divide and Its Key Contributors

Individual wealth, in this context, refers to the value of owned assets that help people create nest eggs to draw on as their incomes decrease in retirement. It also acts as the fence between temporary setback and financial catastrophe. Individual wealth can be passed along to one's family and community, extending access to power and choice for future generations.⁵

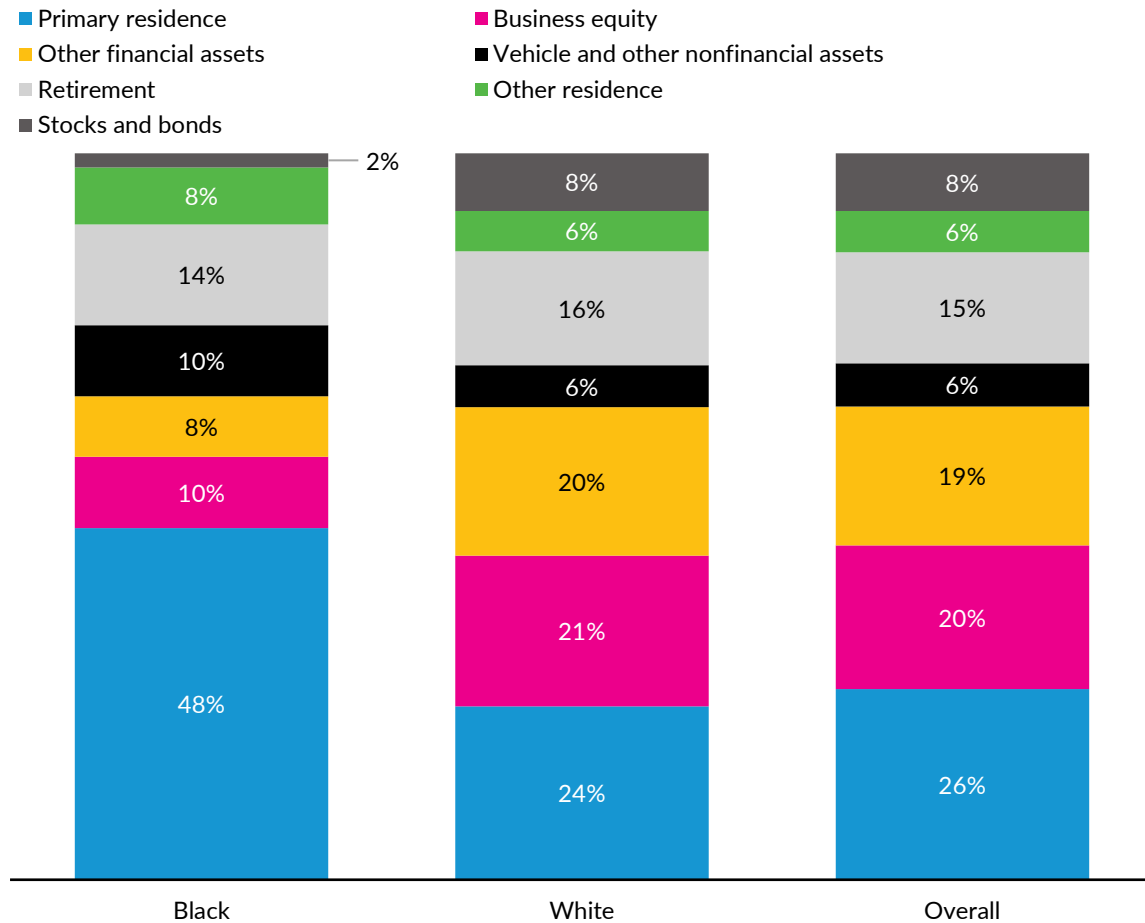
By this definition, there is a large and persistent difference in individual wealth between Black and White families. The 2022 Survey of Consumer Finances indicates that the median Black family has a net worth of \$44,100,⁶ whereas the median White family has a net worth of \$284,310.⁷

Homeownership is another key contributor to the racial wealth divide (McCargo and Choi 2020). According to the 2022 Survey of Consumer Finances, 66.0 percent of all families own their primary residence.⁸ But there is a wide gap in homeownership between Black and White families: in 2022, 73.2 percent of White families owned their home, compared with only 46.3 percent of Black families.⁹

After primary residence, which accounted for 26 percent of household wealth, business equity accounted for the second-largest share (20 percent) of households' assets (figure 1).¹⁰ In 2022, families held a total of \$30.8 trillion in business equity.

FIGURE 1

Composition of Aggregate Household Assets in 2022, by Race and Overall



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Source: Urban Institute analysis of data from the 2022 Survey of Consumer Finances.

Although business equity accounted for the second-largest share of families' assets overall, its share of families' assets differed drastically by race. Among White families, business equity accounted for 21 percent of all assets on their balance sheets, less than but close to the share accounted for by their primary residences (24 percent) (Board of Governors of the Federal Reserve System 2023).¹¹

Among Black families, total assets are heavily concentrated in homeownership. In 2022, nearly half of Black families' assets—48 percent—were held in their primary residence. The share of assets

considered business equity significantly lagged behind the share held in primary residences and was equal to the share held in vehicles and other nonfinancial assets.¹² Though a small share of families hold any business equity, an even smaller share of Black families do.¹³ According to the 2022 Survey of Consumer Finances, 16.0 percent of all White families had any business equity, compared with only 11.0 percent of Black families; of the \$30.8 trillion in aggregate business equity, White families owned 88.7 percent, whereas Black families owned 1.4 percent.¹⁴ In addition, the median business equity held by Black families was \$42,000,¹⁵ compared with \$105,000 among White families.¹⁶

Small Businesses Provide Benefits Beyond Generational and Community Wealth

In addition to accounting for a large share of aggregate family wealth, business equity can be a tool for transferring wealth and skills from one generation to another as younger generations assume responsibility for running family businesses (Yuan 2019). Small businesses can also provide job training opportunities for business owners' children.¹⁷

Beyond household prosperity, small businesses provide their local communities with valuable assets and resources that help to attract and sustain investments, jobs, skilled labor forces, and services and amenities. This mutually beneficial outcome can be considered community wealth. Its presence strengthens existing assets and activates underutilized assets such that the value accumulated stays local within the community. Ultimately this helps the community control its own economic outcomes (Theodos, Marx, and Nunna 2021).

Other communitywide benefits of small businesses include community economic development, which boosts employment, providing goods and services and facilitating commerce.¹⁸ In addition, small businesses generate jobs and income (Samila and Olav 2011).

Moreover, small businesses are integral to the overall economy. Estimates by the Small Business Administration indicate that 44 percent of US economic activity is driven by small business activities.¹⁹ In addition, small businesses provide macroeconomic vitality through constant innovation (Brietzman and Hicks 2008).

There Are Far Fewer Black-Owned Businesses Than White-Owned Businesses, and Those That Exist Tend to Be Smaller

Small businesses are critical to both the individual and community wealth of Black households in the United States. Black communities in the United States often embrace a broad definition of wealth that extends beyond the financial and connects to the Black experience in America. In addition, different paradigms of Black wealth also include a broader notion of well-being referred to as community well-being,²⁰ which includes indicators such as health and spiritual growth.²¹ Lastly, Black individuals in the United States have showcased a long history of economic cooperation, meaning for them, wealth includes providing mutual aid, building human and social capital, and seeking economic independence as a source of freedom from oppression.²²

While business ownership can boost wealth, there are significant disparities in small business outcomes between Black and White entrepreneurs. Black-owned businesses are less likely to form than White-owned businesses. And when they are formed, Black-owned businesses tend to be smaller, both in terms of numbers of employees and total revenue.

For instance, in 2021, of the approximately 5.9 million employer firms in the United States, 2.5 percent (149,327) were owned by non-Hispanic Black business owners.²³ This is the lowest across racial and ethnic groups. Meanwhile, non-Hispanic White business owners accounted for 74.8 percent of employer firms (or 4.4 million firms).²⁴

Not only are Black individuals less likely to own employer businesses, but when they do, those businesses are more likely to be smaller and their workers are likely to receive less compensation. In 2021, across the 149,327 non-Hispanic Black employers' firms, average sales totaled \$1.2 million, the average number of employees was nine, average total payroll was \$342,613, and average payroll per employee (an approximation of an employee's total compensation) was \$38,204.²⁵ In comparison, across the 4.4 million non-Hispanic White employers' firms, average sales totaled \$3.5 million, the average number of employees was 12, average total payroll was \$665,000, and average payroll per employee was \$56,702.²⁶

Access to Business Equity Is Uncommon for Most Households Regardless of Race

Accumulated wealth allows people to live and retire with greater dignity, freedom, and peace of mind and allows communities to be prosperous, resilient, and vibrant. It allows us to provide future generations with the freedom to dream big and reach their potential with little to no financial restrictions. It also enables people to know that their families, networks, and communities are fiscally healthy. Wealth is self-reinforcing; wealth generates more wealth.

Several online surveys suggest that a significant share of the population is interested in starting a business.²⁷ In the aftermath of the COVID-19 recession, the number of applications to start new businesses soared to more than 500,000, well above the pre-COVID peak of 300,000.²⁸

Nearly 1 in 5 small businesses, however, fail after the first year of operation,²⁹ and 65.3 percent fail after 10 years.³⁰ These trends suggest high hurdles to small business success. One is a lack of knowledge and support (Theodos 2022). Although a vast array of federal, state, and local support is available to small businesses across the country, entrepreneurs can lack the knowledge and networks to be aware of that support. At the same time, that support can be generic and may not accommodate the specific needs of a particular small business (Theodos et al. 2024).

Another significant challenge for small businesses is access to capital, which is critical to their success.³¹ Obtaining capital can be especially difficult for start-ups and small firms, which often lack the years in business or established credit histories that financial institutions may require before lending. In its place, families starting small businesses may have to rely on personal financial resources to finance them. Housing equity—the difference between the value of a household’s primary residence and the loans that the home collateralizes—is a key source of small business financing. Households may also rely on their savings or personal credit cards, but doing so can come with great risk, as reducing savings leaves households vulnerable to shocks while credit cards typically charge high interest rates.

In addition to debt financing, equity financing is also difficult to obtain (Theodos et al. 2024). And just three states—California, Massachusetts, and New York—receive nearly all venture capital investments (Theodos and González-Hermoso 2021). To compensate for the risk inherent to equity financing, investors seek firms that can generate large returns on investment, meaning firms with rapid or exponential growth potential. Consequently, venture capital excludes businesses in most industries,

it being largely concentrated among the internet, mobile and telecommunications, and software industries (Prado and Bauer 2022), industries that account for a small share of the overall economy.

Another key challenge faced by small businesses is labor.³² According to a recent National Federation of Independent Business survey, labor quality remains a top concern of small businesses.³³ The lack of workers is an economy-wide challenge, as a low unemployment rate tightens labor market conditions.

The lack of quality labor may reflect the inherent volatility of many small businesses. Though small businesses have high rates of job gains, they also have high rates of job losses (Helfand, Sadeghi, Talan 2007). In the aftermath of the COVID-19 recession, business applications increased, but more businesses also closed.³⁴ This volatility may discourage some workers from joining these firms.

Resolving these barriers could expand household wealth distribution significantly. Despite the volume of total business equity, only 14.6 percent of all families reported having any of that wealth regardless of race; business equity is more associated with families in higher wealth categories than lower ones.³⁵ According to the 2022 Survey of Consumer Finances, 47.9 percent of families in the top decile of the wealth distribution had any business equity, whereas only 4.4 percent of families in the bottom quartile did.³⁶ This may also reflect the greater ability of high-net-worth families to overcome the barriers to starting and sustaining a small business. This affirms the need to remove these barriers to expand this wealth-building opportunity.

Barriers to Small Business Success Can Disproportionately Impact Black Wealth

The racial disparities in the incidence and volume of business equity explain and are explained by the racial disparities in business formation and activity, particularly among employer firms (Fairlie 2018; Turner 2016). They also indicate that Black people face more challenges to small business success. These include higher barriers to resources, such as capital, and other barriers not faced by their White peers.

One such barrier is access to new markets, which remains a challenge for businesses owned by marginalized groups that are often excluded from economic activity on a large scale (Greene et al. 2016). When they are located in underserved neighborhoods, this limits outside clientele and can hinder them from gaining contacts and acquiring customers.

Given these challenges that Black-owned small businesses can face accessing new markets, public contracts can be important sources of revenue for them. State and local governments spend \$1.3 trillion a year through public procurement (Baldus and Hatton 2020). But public contracts have historically been awarded inequitably along racial lines. And because it is easier for firms to win government contracts after they have already done business with the contracting entity, these patterns can easily become entrenched over time. As a result, public procurement has instead perpetuated inequitable systems that produce barriers to the participation of minority-owned businesses (Dangerfield and PolicyLink 2019). Moreover, evidence suggests that overcomplicated and opaque processes for public contract registration, combined with strict requirements for licensing, bonding, and insurance, disproportionately exclude minority-owned small businesses from growing.³⁷

Racial disparities also exist in capital access. Black-owned firms have been found to be less likely than White-owned firms to be fully approved for business loans and lines of credit (Robb 2020). Disparities are also evident in the amount of financing obtained: White business owners are more likely than Black business owners to receive the full amount sought (Robb 2020). Similarly, Black-owned businesses are less likely to raise venture capital for equity financing of their businesses.

In the absence of debt and equity financing, Black-owned businesses are less able to rely on personal sources of wealth to support their small businesses. In addition, Black households have fewer liquid savings.³⁸ Moreover, the typical Black household is a renter household, and when they do achieve homeownership, Black households typically have less housing equity than White homeowners (Hirschl and Rank 2010; Neal, Choi, and Walsh 2020). These characteristics may exert greater pressure on Black families to use credit cards and alternative financial services to access credit, which often come with higher interest rates.

Racial inequity is a key explanation of these Black-White disparities in business ownership. The Small Business Credit Survey found evidence of racial and institutional inequities creating high barriers to minority-owned small start-ups accessing financing. For example, the industries in which minority-owned businesses are typically represented do not receive the same level of access to capital and credit as those in which White-owned businesses are (Misera and Perlmeter 2023). In addition, challenges to institutional equity in lending practices and contract procurement persist.

Evidence also shows racial discrimination in other sectors closely linked to small business. For example, racial discrimination in mortgage lending results in higher mortgage denial rates for Black applicants seeking to purchase homes and for Black homeowners seeking cash-out refinancing.³⁹ In addition, appraisal bias, real estate agent steering, and industrial zoning limit the values of Black-

owned homes.⁴⁰ Furthermore, the history of redlining and restrictive covenants hinders intergenerational wealth transfers, which could provide the financial resources for small business success.⁴¹ This has the potential to limit options for leveraging housing equity in support of business outcomes.

Lastly, instances of racial discrimination can result in wealth extraction. (The destruction of wealth—individual and community—that occurred in the Tulsa Race Massacre in 1921 is the most vivid example of this; see Biu and coauthors [2021].) When wealth is extracted, it robs people of their dignity as well as their ability to contribute to society and to realize their full potential. Wealth extraction is not a force of nature or something that occurs by happenstance; rather, it is intentional and a direct result of human-made policy decisions and private actions. Wealth is extracted when sources of wealth, including labor, land, and other assets, are forcefully transferred from one group to the disproportionate and sometimes exclusive benefit of another (Federal Reserve Bank of Philadelphia 2023).

How Can Local Policies Support Small Businesses in General and Black-Owned Small Businesses in Particular?

Policymakers at all levels can take steps in response to the evolving challenges faced by small businesses (Theodos et al. 2024). For example, they can expand access to services and supports for creating and operating small businesses, particularly for groups that are underserved or face high barriers to entry and sustainability. In addition, they can enhance the provision of technical assistance, and they can expand job training opportunities that help increase the quality of the labor force.

Federal policymakers specifically have an important role in designing and implementing policy in this area (Theodos et al. 2024). The federal government needs to invest in expanding high-quality, specific, and online training and assistance rather than generalized and introductory training. And the Small Business Administration could expand its work with businesses and owners who face capital gaps. For example, it could do this by creating an equivalent to Duty to Serve (the rule that directs Fannie Mae and Freddie Mac to make housing financing easier for families with low incomes to access)⁴² by targeting a certain number of loans to start-ups and minority-owned businesses (Theodos et al. 2024).

Local policymakers can take steps to support small businesses as well.⁴³ A jurisdiction's support of small businesses is likely to specifically benefit that jurisdiction's local economy. For example, cities could provide support services to small businesses in eligible commercial areas. They could also call upon community-based organizations to share information about city-funded programs for small businesses. Moreover, they could create revolving loan funds for micro businesses independently or by partnering with local community development financial institutions.

Cities can also create tools to improve Black-owned small businesses' access to equitable procurement. Although there have been laws that reject the assessment of race-equitable procurement, governments can still use race-conscious methods (Theodos, McManus, and Rainger 2024). Such methods include setting Black-owned business targets in procurement and reducing purchasing requirements for Black-owned small businesses without providing preferential treatment based on race. Moreover, race-neutral methods that could be helpful include providing opportunities for networking with government officials and streamlining the procurement process.

Cities can also implement policies that help Black-owned small businesses specifically overcome both the general challenges faced by all small businesses and the ones rooted in racial bias. One foundational step is to create an impact report exploring the landscape of the entrepreneurial ecosystem for Black entrepreneurs.⁴⁴ Cities could also identify and amplify current resources for Black small-business owners, addressing gaps where additional resources are needed and building collaborations that focus on results.⁴⁵

Cities could also support Black-owned small businesses by arming them with expert financial and business resources to set them up for success.⁴⁶ One way to do this is to build the capacity of minority-owned businesses by enhancing their business models through hands-on programming, mentoring opportunities, and technical resources.⁴⁷ Cities could further support Black-owned small businesses by facilitating business connections between corporations and public sector agencies and certified minority-owned businesses to further the economic development of local communities.⁴⁸

Small businesses are a powerful source of household wealth. And they also invigorate local economies. Ensuring small businesses emerge and thrive can unleash the economy's potential. But policymakers must help, specifically by focusing on helping minority-owned small businesses, such as Black-owned businesses, grow. And although federal policy plays an important role in supporting small businesses, cities have an opportunity to strengthen their support of them. Doing so could help reduce the Black-White wealth divide and enrich their communities.

Closing Remarks

This report is the first in a series of three publications assessing cities' role in, and the benefits of, supporting Black wealth-building initiatives. This report and our broader project aim to help cities uproot the legacy of racial discrimination and bias. Throughout this project, we will compile a body of literature that describes and critically assesses perspectives on interventions used to increase Black wealth and address racial equity. This will include evidence of the prosperity of the economies of cities that focus on Black wealth and address racial equity. Efforts and metrics we will observe include city-level policies and economic plans; the degree of Black residents' economic integration in each city; practices for narrowing the racial wealth divide; interventions such as diagnostic tools and policy playbooks used by practitioners; and policy frameworks in the cities of interest. We will also construct a research instrument based on surveys, focus groups, and interviews with city leaders to help cities support small businesses.

This project is committed to closing the racial wealth divide and improving local economies by boosting the ability of Black residents to thrive. Although there are many avenues for identifying disparities in Black business ownership and areas of opportunity, in this report we have focused on Black-White wealth disparities and the disparities in business ownership that result. Supporting the sustainability of small minority-owned businesses has demonstrated one important way to achieve the dual goals of closing racial disparities in wealth and business ownership while boosting community development and cities' growth overall.

Notes

- ¹ Chastity Heyward, "The Growing Importance of Social Responsibility in Business," *Forbes*, November 18, 2020, <https://www.forbes.com/sites/forbesbusinesscouncil/2020/11/18/the-growing-importance-of-social-responsibility-in-business/?sh=3168d2b42283>.
- ² Derek T. Dingle, "Maynard Jackson: The Ultimate Champion for Black Business," *Black Enterprise*, February 17, 2023, <https://www.blackenterprise.com/maynard-jackson-the-ultimate-champion-for-black-business/>.
- ³ Oscar Perry Abello, "Why Public Procurement Is a Civil Rights Issue," *The Bottom Line*, April 23, 2019, <https://nextcity.org/urbanist-news/why-public-procurement-is-a-civil-rights-issue>.
- ⁴ Through its collaboration with the [Black Wealth Data Center](#), Urban's broader research project highlights and uplifts Black researchers at the Urban Institute and continues Urban's history of centering racial equity in its research and recommendations.
- ⁵ Crystal Gilmore, "Closing The Generational Wealth Gap: Five Ways To Build Wealth," *Forbes*, last updated April 14, 2022, <https://www.forbes.com/sites/forbesfinancecouncil/2022/02/18/closing-the-generational-wealth-gap-five-ways-to-build-wealth/>.
- ⁶ "Survey of Consumer Finances, 1989–2022," Federal Reserve, accessed March 21, 2024, https://www.federalreserve.gov/econres/scf/dataviz/scf/chart/#series:Net_Worth;demographic:agecl;population:all;units:median. The majority of statistics included in this report describe the characteristics of "families." The Survey of Consumer Finances definition of "family" is more comparable to the US Census Bureau definition of "households"—which can include one-person families—than to its use of "families." This report therefore uses "family" and "household" interchangeably.
- ⁷ "Survey of Consumer Finances, 1989–2022," Federal Reserve.
- ⁸ "Survey of Consumer Finances, 1989–2022," Federal Reserve.
- ⁹ "Survey of Consumer Finances, 1989–2022," Federal Reserve.
- ¹⁰ "Survey of Consumer Finances, 1989–2022," Federal Reserve; "SCF Combined Extract Data," Berkeley Survey Documentation and Analysis, <https://sda.berkeley.edu/sdaweb/docs/scfcomb/DOC/hcbk0002.htm>; According to the Survey of Consumer Finances, "For businesses where the household has an active interest, value is net equity if the business were sold today, plus loans from the household to the business, minus loans from the business to the household not previously reported, plus the value of personal assets used as collateral for business loans that were reported earlier; for businesses where the household does not have an active interest, market value of the interest."
- ¹¹ "Survey of Consumer Finances, 1989–2022," Federal Reserve.
- ¹² "Survey of Consumer Finances, 1989–2022," Federal Reserve. According to the Survey of Consumer Finances, "other nonfinancial assets" is defined as the total value of miscellaneous assets minus other financial assets: "includes gold, silver (incl. silverware), other metals or metals NA type, jewelry, gem stones (incl. antique), cars (antique or classic), antiques, furniture, art objects, paintings, sculpture, textile art, ceramic art, photographs, (rare) books, coin collections, stamp collections, guns, misc. real estate (exc. cemetery), cemetery plots, china, figurines, crystal/glassware, musical instruments, livestock, horses, crops, oriental rugs, furs, other collections, incl. baseball cards, records, wine, oil/gas/mineral leases or investments, computer, equipment/tools, association or exchange membership, and other miscellaneous assets."
- ¹³ "Survey of Consumer Finances, 1989–2022," Federal Reserve.
- ¹⁴ "Survey of Consumer Finances, 1989–2022," Federal Reserve. It is worth noting that the distributional analysis masks the differences in overall wealth. This large Black-White wealth gap reflects more than the disparity in

business equity—it also reflects large differences in homeownership, in many financial assets, and in other nonfinancial assets. And in many instances, business ownership emerges from the use of other sources of wealth, including liquid assets and housing equity. As a result, building business equity is key to closing the broader Black-White wealth gap, but a multidimensional approach that spans asset classes is needed to eliminate it.

- ¹⁵ “Survey of Consumer Finances, 1989–2022,” Federal Reserve.
- ¹⁶ “Survey of Consumer Finances, 1989–2022,” Federal Reserve.
- ¹⁷ Joshua Wiesenfeld, “Hiring Family Members in a Small Business,” *Journal of Accountancy*, June 2022, <https://www.journalofaccountancy.com/news/2022/jun/hiring-family-members-small-business.html>.
- ¹⁸ Federal Reserve Bank of San Francisco, “Economic Development and Small Business,” accessed March 21, 2024, <https://www.frbsf.org/about-us/community-development-and-engagement/economic-development-small-business/>.
- ¹⁹ “Small Businesses Generate 44 Percent of U.S. Economic Activity,” US Small Business Administration Office of Advocacy, release no. 19-1 ADV, January 30, 2019, <https://advocacy.sba.gov/2019/01/30/small-businesses-generate-44-percent-of-u-s-economic-activity/>.
- ²⁰ Anne Price, “Doing ‘The Right Thing’ Won’t Close the Racial Wealth Gap,” Shelterforce, February 8, 2022, <https://shelterforce.org/2022/02/08/doing-the-right-thing-wont-close-the-racial-wealth-gap/>.
Price, “Doing ‘The Right Thing’ Won’t Close the Racial Wealth Gap.”
- ²² Mira Luna and Zanetta Jones, “A Brief History of Black Cooperatives in the U.S.,” Shareable, February 1, 2022, <https://www.shareable.net/the-deep-roots-of-african-american-cooperative-economics/>.
- ²³ Urban Institute calculations using data from the US Census Bureau’s 2022 Annual Business Survey, available at <https://www.census.gov/programs-surveys/abs.html>.
- ²⁴ “Number of Employer Firms, by Firm Receipt Amount, by Race/Ethnicity,” Black Wealth Data Center.
- ²⁵ Urban Institute calculations using data from the US Census Bureau’s 2022 Annual Business Survey, available at <https://www.census.gov/programs-surveys/abs.html>.
- ²⁶ Urban Institute calculations using data from the US Census Bureau’s 2022 Annual Business Survey, available at <https://www.census.gov/programs-surveys/abs.html>.
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