

# African American Entrepreneurship: The View from the 1910 Census

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Despite limited study in recent years, entrepreneurship plays a crucial role in economic growth, both in society at large and within specific communities.<sup>2</sup> In a capitalist market economy, firms initiate and coordinate a wide range of ongoing economic activity, and have increasingly been the site of innovation. The formation and nurturing of firms, of organizations which can create and sustain economic activity, is the most basic of entrepreneurial activities. Understanding who forms businesses, and why they succeed or fail, should be of great importance to economists. Understanding how those processes have changed over time should also be an important area of study for economic historians.

Successful entrepreneurs often rely on networks for the provision of information and resources which give them a competitive advantage - privileged access to information about product markets, sources of labor or capital, production technology, and management organization. Sometimes these networks are based on family and extended kinship. Other networks are based on common racial, ethnic, or religious identification. Historians and sociologists have focused on these "non-economic" networks to explain ethnic and racial differences in patterns of entrepreneurship [1, 3]. Less formal, and less visible when not associated with a distinct "minority" group, are networks based on common membership in professional, craft, educational, social, or cultural institutions. More generally, overlapping business and personal associations can be thought of as highways for the flow of resources and information. Firms, industries, communities, and nations succeed when they are at a major intersection, where mutually sustaining networks intersect. While sociologists and historians have focused on personal, familial, and

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<sup>2</sup>Following standard use among sociologists and economists ([1] and [4]), I define an "entrepreneur" as one who runs his or her own business. I do not restrict my study to those who were particularly innovative in their business activities or transformed the industries in which they participated.

cultural networks, economists have implicitly assumed the existence of private firms whose business is the creation of such networks, and the sale of the information obtained. Banks which build networks of borrowers and lenders, employment agencies with networks of employers and workers, and direct marketing companies with networks of consumers for sale to potential suppliers are examples of firms whose business is the construction of such networks.

An examination of African-American entrepreneurship implicitly or explicitly must ask three questions: first, to what extent have the informal networks on which white Americans relied in forming businesses been replaced by more formal businesses who sell information and resources to customers; second, do African-Americans have access to those resources and information at the same prices and quantities as do white Americans; and third, to what extent are there informal networks within the African-American community on which entrepreneurs and potential entrepreneurs can rely.

Understanding the dynamics of African-American entrepreneurship is of particular importance today. There has been increasing attention given to policies which emphasize African-American entrepreneurship. But these policies have been informed by little historical study. An historical perspective may shed light on today's lack of African-American entrepreneurship and suggest the kinds of networks and institutions which would be able to support successful entrepreneurship.

This paper takes a small step toward filling in this missing historical picture. It presents a snapshot of the African-American business population in 1910, based on two public use samples from the 1910 Census of Population. This was the first census to include a question on employment status (employer, own account, or employee) and is thus the first nationwide survey to include information about both business ownership and race. This study focuses on a period before the great migration of African-American northward, which may have disrupted existing networks among African-American businesses. It was after, however, the first "buy black" political movement and the formation of the National Negro Business League, so that we know that there existed a vocal, if not large African-American business community. While support from large white businesses gives historical visibility to these political movements, there has been no systematic attempt to measure their impact on the number, size, or distribution of African-American business. Booker T. Washington estimated that there were 9,838 African-American businesses requiring capital in 1900 [5, p. 12]. If that number is accurate the findings here suggest a considerable increase in the number of African-American businesses in the decade following the upsurge in the "Buy Black" movement. The most comparable figure which one can draw from the census data is the predicted number of African-Americans employers outside of agriculture. In 1910 there were almost 19,000 such businesses, almost double Washington's estimate of a decade earlier.

One of the most striking findings of this study is that in 1910 African-Americans were more likely than white Americans to be employers, and almost as likely as whites to be self-employed (Table 1). This contrasts with the current period in which African-Americans are only a third as likely as whites to work in their own businesses. This raises questions about claims, such as those of Light [3], that African-American culture is unsupportive of entrepreneurial activity, or that "cultural differences may explain black white differentials in self-employment" [4,

p. 26]. If cultural differences are to explain late 20th century differentials in self-employment, they must be a twentieth century development.

### **African-American Entrepreneurs in 1910: Where Were They?**

As suggested in the introduction, the overall rates of entrepreneurship (defined here as the proportion of the labor force which was either an employer or working on one's own account) were roughly equal for African-Americans and whites in 1910 (26% of African-Americans compared with 29% of whites; Table 1). This contrasts sharply with the situation in the current period, in which white entrepreneurship is significantly higher than that of African-Americans. Again in contrast to contemporary findings, entrepreneurship is significantly more common among both whites and African-Americans in 1910 than among Asians (those of Japanese, Chinese, or Hawaiian descent (Table 1). This latter change probably reflects differences in both the characteristics of cohorts of Asian immigrants and the opportunities which they faced in the United States.

**Table 1. Distribution of Employment Status by Race**

| <b>Race</b>      | <b>Employer</b> | <b>Own Account</b> | <b>Worker</b> | <b>Total</b> |
|------------------|-----------------|--------------------|---------------|--------------|
| White            | 12.52           | 16.30              | 71.18         | 82.21        |
| African-American | 13.91           | 12.88              | 73.20         | 17.25        |
| Asian            | 7.96            | 9.33               | 82.71         | 0.54         |
| Total            | 12.73           | 15.68              | 71.59         | 100.00       |

**Table 2. Distribution of Employment Status in and out of Agriculture**

| <b>Employment Status</b> | <b>Percent of non-agricultural work force</b> | <b>Percent of agricultural work force</b> |
|--------------------------|---|---|
| Employer                 | 5.15  | 27.17                                     |
| Own Account              | 11.53   | 23.67                                     |
| Worker                   | 83.32   | 49.16                                     |

In aggregate, 15.68% of the labor force was self-employed, 12.73% an employer. The distribution of entrepreneurs in agriculture differs from that in non-agricultural sectors (Table 2). As the paths to and meaning of entrepreneurship are different in the two sectors, they will be analyzed separately. However, because the vast majority of African-American entrepreneurs were in agriculture, and a sizable

proportion of white entrepreneurs, it would be misleading to ignore the sector altogether, as is frequently done in modern literature.

While overall rates of entrepreneurship of whites and African-Americans were comparable in 1910, there are three important differences in the pattern of entrepreneurship among African-Americans and whites. These differences may help us to understand the decline in African-American entrepreneurship over the twentieth century. First, the sectoral distribution of African-American entrepreneurs was different from that of whites; African-Americans were much more heavily concentrated in agriculture (Table 3 and Table 4). Second, there were differences in the patterns of entrepreneurship among men and women (Table 5). In general, men were more likely to be entrepreneurs than women. But African-American women were more "entrepreneurial" than white women and also made up a larger proportion of the African-American labor force. Finally, the distribution between employers and the self-employed ("own account") was different for whites and African-Americans. Overall, African-Americans and whites were split about evenly between "employer" and "own account" (Table 1). But this apparent similarity disappears when the data are disaggregated by sector and gender (Table 3, Table 4, and Table 5). A large proportion of African-American men in agriculture were employers and a large proportion of African-American women in services were self-employed. In both cases, the proportions were higher than their white counterparts. Outside of agriculture, African-American employers were relatively rare. I will discuss each of these three issues in turn. Finally, I conclude with a discussion of the particular non-agricultural industries in which African-American entrepreneurs do appear in significant numbers.

The sectoral distribution of African-American and white businesses was very different. Seventy-three percent of all African-American entrepreneurs were in agriculture.<sup>3</sup> White entrepreneurs were also concentrated in agriculture - because the average number of workers on any farm is relatively low - but, with fewer than 60% of white entrepreneurs located in agriculture, were less so than African-Americans. When one examines the concentration by gender the lack of diversification of African-American entrepreneurs becomes even more noticeable. Fully 92% of all African-American male entrepreneurs, and over 97% of African-American male *employers* were in agriculture (Table 6). The comparable figures for white men were 64% of all entrepreneurs and 68% of all employers (Table 6). Almost 93% of African-American female employers were in agriculture, but only 61% of white women (Table 7). The only sizable group of African-American entrepreneurs who were *not* concentrated in agriculture were self-employed women. (Only a small proportion of self-employed white women were in agriculture as well. Running a farm on one's own does not seem to have been a popular option for women.) Among both African-American and white women, about ten percent of the self employed were in agriculture. Because self-employed women make up a significant portion of the African-American work force, they introduced a degree of diversification out of agriculture for African-American entrepreneurs in general.

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<sup>3</sup>Extrapolating from the sample suggests that there were 1.25 million African-American "entrepreneurs" in agriculture and not quite half a million outside agriculture.

**Table 3. Distribution of Male Employment Status by Sector and Race**

| Sector                                       | Employer         |       | Own Account      |       | Worker           |       |
|--|------------------|-------|------------------|-------|------------------|-------|
|  | African-American | White | African-American | White | African-American | White |
| Agriculture                                  | 34.43            | 29.33 | 15.42            | 30.14 | 50.15            | 40.53 |
| Mining                                       | 0.30             | 1.51  | 0.30             | 2.79  | 99.40            | 95.70 |
| Construction                                 | 3.00             | 10.41 | 9.73             | 10.92 | 87.27            | 78.66 |
| Non-Durable Manufacturing                    | 0.56             | 4.99  | 2.24             | 2.69  | 97.20            | 92.31 |
| Durable Manufacturing                        | 0.35             | 2.95  | 0.42             | 1.57  | 99.23            | 95.48 |
| Transportation, Communication, and Utilities | 1.02             | 1.80  | 0.77             | 1.11  | 98.21            | 97.09 |
| Wholesale - Durables                         | 3.75             | 10.56 | 20.95            | 21.31 | 75.30            | 68.12 |
| Wholesale - Nondurables                      | 0.00             | 10.63 | 7.70             | 15.07 | 92.30            | 74.30 |
| Retail                                       | 3.15             | 16.96 | 12.25            | 23.66 | 84.59            | 59.38 |
| Finance, Real Estate, and Insurance          | 0.00             | 5.64  | 3.30             | 23.15 | 96.70            | 71.20 |
| Business Services                            | 8.64             | 8.99  | 27.16            | 32.65 | 64.21            | 58.37 |
| Personal Services                            | 2.12             | 15.73 | 8.49             | 21.52 | 89.39            | 62.75 |
| Recreation                                   | 0.66             | 7.07  | 15.99            | 18.27 | 83.34            | 74.66 |
| Professional Services                        | 0.00             | 3.43  | 10.42            | 38.43 | 89.58            | 58.14 |

**Table 4. Distribution of Female Employment Status by Sector and Race**

| Sector                                       | Employer         |       | Own Account      |       | Worker        |       |
|--|------------------|-------|------------------|-------|---------------|-------|
|  | African-American | White | African-American | White | African-White | White |
| Agriculture                                  | 5.46             | 20.00 | 3.17             | 11.28 | 91.35         | 68.72 |
| Mining                                       | 0.00             | 0.00  | 0.00             | 2.78  | 100.00        | 97.22 |
| Construction                                 | 0.00             | 7.35  | 0.00             | 4.41  | 100.00        | 88.24 |
| Non-Durable Manufacturing                    | 0.75             | 0.46  | 0.75             | 1.23  | 98.50         | 98.31 |
| Durable Manufacturing                        | 0.00             | 0.32  | 0.00             | 1.59  | -             | 98.09 |
| Transportation, Communication, and Utilities | 0.00             | 0.46  | 6.47             | 0.15  | 93.53         | 99.39 |
| Wholesale - Durables                         | -                | 0.00  | -                | 5.00  | 100.00        | 95.00 |
| Wholesale - Nondurables                      | 0.00             | 0.58  | 6.33             | 1.73  | 93.67         | 97.69 |
| Retail                                       | 10.00            | 3.98  | 18.75            | 11.16 | 71.25         | 84.86 |
| Finance, Real Estate, and Insurance          | 0.00             | 0.91  | 4.54             | 4.88  | 95.46         | 94.21 |
| Business Services                            | 0.00             | 2.63  | 30.07            | 45.26 | 69.93         | 52.11 |
| Personal Services                            | 0.24             | 2.45  | 30.38            | 23.24 | 69.38         | 74.31 |
| Recreation                                   | 0.00             | 0.80  | 0.00             | 11.20 | 100.00        | 88.00 |
| Professional Services                        | 0.00             | 0.21  | 9.68             | 13.17 | 90.32         | 86.62 |

**Table 5. Distribution of Employment Status by Race and Gender**

|             | White men | White Women | African-American Men | African-American Women |
|-------------|-----------|-------------|----------------------|------------------------|
| Employer    | 14.53     | 3.77        | 21.11                | 2.97                   |
| Own Account | 17.14     | 12.65       | 11.14                | 15.54                  |
| Worker      | 68.33     | 83.58       | 67.75                | 81.50                  |

**Table 6. Sectoral Distribution of Male Entrepreneurs**

| Sector                                       | Employer         |       | Own Account      |       |
|--|------------------|-------|------------------|-------|
|  | African-American | White | African-American | White |
| Agriculture                                  | 97.35            | 68.43 | 82.58            | 59.60 |
| Mining                                       | 0.03             | 0.41  | 0.06             | 0.64  |
| Construction                                 | 0.60             | 5.38  | 3.69             | 4.79  |
| Non-Durable Manufacturing                    | 0.08             | 3.01  | 0.60             | 1.38  |
| Durable Manufacturing                        | 0.15             | 2.75  | 0.35             | 1.23  |
| Transportation, Communication, and Utilities | 0.44             | 1.33  | 0.63             | 0.69  |
| Wholesale - Durables                         | 0.03             | 0.40  | 0.32             | 0.69  |
| Wholesale - Nondurables                      | 0.00             | 1.30  | 0.23             | 1.56  |
| Retail                                       | 0.61             | 11.86 | 4.51             | 14.03 |
| Finance, Real Estate, and Insurance          | 0.00             | 0.74  | 0.17             | 2.58  |
| Business Services                            | 0.18             | 0.76  | 1.10             | 2.33  |
| Personal Services                            | 0.51             | 2.66  | 3.86             | 3.08  |
| Recreation                                   | 0.01             | 0.25  | 0.41             | 0.55  |
| Professional Services                        | 0.00             | 0.72  | 1.50             | 6.85  |

**Table 7. Sectoral Distribution of Female Entrepreneurs**

| Sector                                       | Employer         |       | Own Account      |       |
|--|------------------|-------|------------------|-------|
|  | African-American | White | African-American | White |
| Agriculture                                  | 92.74            | 60.65 | 10.22            | 10.19 |
| Mining                                       | 0.00             | 0.00  | 0.00             | 0.03  |
| Construction                                 | 0.00             | 0.58  | 0.00             | 0.10  |
| Non-Durable Manufacturing                    | 0.33             | 2.33  | 0.06             | 1.87  |
| Durable Manufacturing                        | 0.00             | 0.35  | 0.00             | 0.52  |
| Transportation, Communication, and Utilities | 0.00             | 0.35  | 0.06             | 0.03  |
| Wholesale - Durables                         | 0.00             | 0.00  | 0.00             | 0.07  |
| Wholesale - Nondurables                      | 0.00             | 0.12  | 0.02             | 0.10  |
| Retail                                       | 3.32             | 13.74 | 1.19             | 11.47 |
| Finance, Real Estate, and Insurance          | 0.00             | 0.35  | 0.06             | 0.55  |
| Business Services                            | 0.00             | 0.58  | 0.16             | 2.98  |
| Personal Services                            | 3.61             | 20.02 | 86.99            | 56.64 |
| Recreation                                   | 0.00             | 0.12  | 0.00             | 0.49  |
| Professional services                        | 0.00             | 0.81  | 1.23             | 14.94 |

The quantitative importance of agricultural businesses to the African-American business community is one of the most striking, even if predictable, findings of this study. This sector has been almost completely ignored by both the historical literature, which has focused on sectors such as personal service, retail,



banking, and insurance. Promoters of African-American business at the time recognized the importance of agriculture. For example, at the 1911 national convention of the National Negro Business League, the "important subjects" addressed included "Raising and Shipping Fruits and Poultry," the "Pickle King," "My Success as a Horticulturist," as well as several discussing wholesaling of agricultural products [6, p. 22]. The concentration of African-American entrepreneurs in agriculture suggests that the relative lack of entrepreneurial behavior on the African-Americans today may have little to do with cultural attitudes toward risk-taking or the desire for the independence, authority, and responsibility associated with owning one's own business. Rather it may reflect the extreme concentration of African-American's entrepreneurial resources, and the networks of African-American entrepreneurs, in a sector which was undergoing long term decline. This also suggests that further research on the effect of agricultural policies on African-American entrepreneurship may shed light on the decline of African-American entrepreneurship.

One might claim that the presence of a large number of African-American employers and self-employees in agriculture reflects the heavy concentration of African-American labor, generally, in agriculture, and not entrepreneurial behavior *per se*. It is certainly true that African-Americans generally were concentrated in agriculture (about 56% of the total African-American work force). But African-American men in agriculture were actually more likely than whites to be *employers*, not simply self-employed. This is true even if one compares African-American and white men within the south, where the lack of mechanization increased labor requirements relative to the north.<sup>4</sup> While the concentration in agriculture may reflect existing skills and human capital specific to agriculture, it may also reflect barriers to entrepreneurial activity outside of agriculture. And the experience of being an employer or self-employed in agriculture, while certainly different from owning a factory or a store, is still one in which the individual has the responsibility and assumes risk for a wide range of decisions: what and how much to produce, what inputs, including labor, to buy, where to sell. As in other sectors, entrepreneurs in agriculture are interacting with the market, locating markets, locating inputs. This distinguishes them from employees who, having located an employer, relate to that employer, that firm or farm, but do not, as producers, continue to have a direct interaction with the market.

There are very large differences in the pattern of entrepreneurship between African-American men and women (Table 5). To some extent they reflect the same patterns of gendered participation in labor markets as among whites. Both African-American and white women are less entrepreneurial and less specialized in agriculture than their respective male counterparts (compare Tables 3, 4, 6, and 7). They are also both much more likely to be self employed than employers (Table 5). There are actually more African-American male employers than self-employed,

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<sup>4</sup>Differences in the use of employed labor in northern and southern agriculture do help to create the different patterns observed. White men in southern agriculture were more likely to be employers than were their northern counterparts (33.64% compared to 27.21%). Only 10% of (the very few) African-Americans in northern agriculture were employers, a much lower proportion than either whites in the north or African-Americans in the south.

and the two groups are divided about evenly for white men. Unlike the concentration of male entrepreneurs in agriculture, the largest groups of female entrepreneurs, both white and African-American, are in personal service (Table 7).

There are several important differences between the entrepreneurial behavior of African-American and white women, however. First, women make up a much larger proportion of the African-American labor force than of the white labor force (40% and 19% respectively). Thus patterns of entrepreneurship among African-American women have a larger impact on African-American entrepreneurship as a whole. Second, the overall rate of entrepreneurship of African-American women was somewhat higher than for white women (Table 5). As with males, this slightly higher average rate masks a difference in the distribution between employers and self-employed. White women were more likely than African-American women to be employers, and less likely to be self-employed. Finally, while neither white nor African-American female entrepreneurs were heavily concentrated in agriculture, African-women were much more concentrated into a few sectors than was the case for white female entrepreneurs (Table 7). Seventy-four percent of female African-American entrepreneurs, and 87% of female African-American self-employeds, were in the personal service sector. This was the largest sector for white female entrepreneurs as well, but the concentration was significantly less (48% of entrepreneurs and 57% of self-employeds). For both African-American and white female entrepreneurs the next largest sector was agriculture. And again, African-American entrepreneurs were more concentrated than white women. Twenty-three percent of African-American female entrepreneurs were in agriculture, and only 22% of white women. (Ninety-three percent of African-American female *employers* were in agriculture, and only 61% of white, but the number of employers for both African-American and white women was quite small.) So 97% of all African-American female entrepreneurs were in either personal service or agriculture, compared to only 70% of white women. The concentration of African-American female entrepreneurs in these two sectors again reflects their overall labor force behavior, and may reflect their exclusion from other sectors. But, as was the case for African-American men in agriculture, the concentration of entrepreneurs is greater than the (very high) concentration of the labor force as a whole. (About 78% of all African-American female employees were in either agriculture or personal service.) African-American women's entrepreneurship cannot be dismissed as simply America's 20th century peasantry. Perhaps because of exclusion from opportunities to engage in wage labor, African-American women set up businesses in sectors where they had skills and could find customers. But their concentration into two sectors, both of which experienced decline over the course of the century, did not bode well for the long term success of these efforts.

The last important difference in African-American and white entrepreneurship is in the division, discussed briefly above, between employers and the self-employed. African-American men were more likely to be employers than self-employed (Table 8). This pattern was at variance with that observed for any other group, and is explained by the large proportion of African-American employers in agriculture (Table 3). Over 34% of African-American men in agriculture were employers (Table 3). This led to a difference in the pattern of entrepreneurship between African-American men and women, who were more than five times more likely to be self-employed than an employer (Table 5).

Outside of agriculture, the difference in the rates of entrepreneurship between African-American and white men was quite large. African-American men were about a third as likely as white men to be employers or self-employed (6% of African-American men, 17.4% of white men). There were small but significant numbers of African-American male entrepreneurs in construction, retail, and personal service. In each case there are about three to four times as many self-employeds as employers, but with significant numbers of each (Table 6). Extrapolating from the samples suggests that there were almost 5000 African-American male *employers* in construction, 2500 running eating and drinking establishments, 2000 running barber shops, 1500 repair businesses, and a thousand grocery stores. There were smaller numbers with trucking businesses, taxi cab businesses, shoe repair shops, and dry good stores. There were somewhat larger numbers of individuals, in these and similar industries, working on their own account. In addition, there was a significant number (about 4000) of self-employed African-American male professionals with no employees. (There was not a single African-American professional in the sample with an employee.) Most of these were mulattos. Every African-American lawyer in the sample was mulatto; over 60% of the medical professionals were mulatto. Mulatto men made up only 16% of the African-American male work force.

**Table 8. Distribution of Employment Status of Men**

| Race    | Employer               |             | Own Account            |             | Worker                 |             |
|---------|------------------------|-------------|------------------------|-------------|------------------------|-------------|
|         | Outside<br>Agriculture | Agriculture | Outside<br>Agriculture | Agriculture | Outside<br>Agriculture | Agriculture |
| White   | 6.94                   | 29.33       | 10.48                  | 30.14       | 82.58                  | 40.53       |
| Negro   | 1.16                   | 34.41       | 4.23                   | 15.34       | 94.61                  | 50.24       |
| Mulatto | 2.13                   | 34.53       | 6.78                   | 15.80       | 91.09                  | 49.68       |

As suggested above, African-American female entrepreneurs outside agriculture were heavily concentrated in personal services. Three industries had more than one thousand female employers: lodging places, private household services, and eating & drinking establishments. Among African-American female self-employeds, over 50% worked in personal household services. These were not simply mis-classified maids; the census distinguished them from a much larger (three times as many) group of African-American women workers in private household services. The next largest group of African-American female

**Table 9. Logit Estimates of the Probability of Being an Employer**

| Variable    | 1:Pooled Data | 2:White outside agriculture | 3:A-A outside agriculture | 4:White in agriculture | 5:A-A in agriculture |
|-------------|---------------|-----------------------------|---------------------------|------------------------|----------------------|
| N           | 128391        | 76311                       | 11056                     | 25804                  | 14004                |
| Intercept   | -1.61         | -1.61                       | -2.69                     | -4.93                  | -3.79                |
| Age         | 0.07          | 0.05                        | 0.05                      | 0.10                   | 0.08                 |
| Literacy    | 0.57          | 1.26                        | * 0.63                    | 0.90                   | 0.38                 |
| Female      | -1.85         | -1.78                       | * -0.60                   | -1.37                  | -2.70                |
|             |               |                             |                           |                        |                      |
| Home        | 0.29          | 0.67                        | 0.98                      | * 0.02                 | -0.77                |
| Mortgage    | 0.22          | * -0.13                     | * -0.09                   | 0.48                   | 0.59                 |
| Unemployed  | -2.81         | -2.39                       | * -3.17                   | -3.71                  | -2.42                |
|             |               |                             |                           |                        |                      |
| SIZE        | -5.60         | -5.20                       | -4.64                     |                        |                      |
| Agriculture | 0.58          |                             |                           |                        |                      |
| South       | 0.49          | 0.21                        | * 0.18                    | 0.68                   | 2.12                 |
|             |               |                             |                           |                        |                      |
| A-A         | -0.80         |                             |                           |                        |                      |
| Asian       | -0.98         |                             |                           |                        |                      |
| COUNTY      | 0.42          |                             | * -0.15                   |                        | 0.65                 |
| INDUSTRY    | 2.51          |                             | -2.91                     |                        | -5.03                |
| Home * A-A  | -0.92         |                             |                           |                        |                      |
| Mortg * A-A | * 0.26        |                             |                           |                        |                      |
| Unemp*A-A   | * 0.38        |                             |                           |                        |                      |

\* Not significant at the 99% level. All unmarked coefficients are significant at greater than 99% confidence levels.

**Table 10. Logit Estimates of the Probability of Being Self Employed**

| Variable    | 1:Pooled Data | 2:White outside agriculture | 3:A-A outside agriculture | 4:White in agriculture | 5:A-A in agriculture |
|-------------|---------------|-----------------------------|---------------------------|------------------------|----------------------|
| N           | 133056        | 80884                       | 12966                     | 25850                  | 12048                |
| Intercept   | 1.13          | 1.42                        | * 0.32                    | -3.82                  | -2.54                |
| Age         | 0.06          | 0.05                        | 0.03                      | 0.08                   | 0.06                 |
| Literacy    | 0.56          | * 0.11                      | 0.17                      | 0.80                   | 0.51                 |
| Female      | -0.65         | -0.37                       | 1.15                      | -1.80                  | -2.27                |
|             |               |                             |                           |                        |                      |
| Home        | 0.29          | 0.43                        | * -0.17                   | * 0.00                 | * -0.08              |
| Mortgage    | * 0.04        | -0.17                       | 0.36                      | 0.23                   | * 0.05               |
| Unemployed  | -2.38         | -2.10                       | -1.58                     | -2.96                  | -1.73                |
|             |               |                             |                           |                        |                      |
| SIZE        | -7.73         | -7.46                       | -6.28                     |                        |                      |
| Agriculture | -0.64         |                             |                           |                        |                      |
| South       | 0.35          | 0.33                        | 0.84                      | 0.43                   | 0.61                 |
|             |               |                             |                           |                        |                      |
| A-A         | -2.97         |                             |                           |                        |                      |
| gsian       | -0.99         |                             |                           |                        |                      |
| COUNTY      | 0.51          |                             | * 0.35                    |                        | * 0.25               |
| INDUSTRY    | 8.95          |                             | 3.45                      |                        | -5.38                |
| Home * A-A  | -0.34         |                             |                           |                        |                      |
| Mortg * A-A | * 0.04        |                             |                           |                        |                      |
| Unemp*A-A   | 0.99          |                             |                           |                        |                      |

\* Not significant at the 99% level. All unmarked coefficients are significant at greater than 99% confidence levels.

self-employed was dressmakers, of which there were about 35,000. There were over 10,000 African-American women running boarding houses ("lodging places, except hotel and motel"), 1750 with their own beauty shops, and nearly that many with their own restaurants and clothing stores. There were also over a thousand African-American women who were self-employed health practitioners (presumably midwives) and a similar number providing educational services.

The number of African-American entrepreneurs outside of agriculture was dwarfed by those within it. But even excluding agriculture African-Americans were more likely to be entrepreneurs in 1910 than in 1990 (6% of African-American men in 1910 compared to 4.4% in 1990 [2, p. 1]). This reflects a decline in self-employment throughout the American economy over the course of the twentieth century. The rate of decline in self-employment outside agriculture seems to have been the same for white and African American men, about 25% over the 80 year period. Thus there has been no convergence in the aggregate pattern of entrepreneurship outside agriculture over the century. This also suggests that virtually none of the entrepreneurial skills reflected and developed by the large numbers of African-American employers in agriculture were transferred into entrepreneurial activities outside agriculture as agriculture declined.

### **Analyzing the Determinants of African-American Entrepreneurship**

With a somewhat clearer picture of the extent and location of African-American entrepreneurs in 1910, we would like to be able to address the fundamental social and economic questions raised in the introduction. How was African-American entrepreneurship affected by differential access to resources from the formal, commercial sector? Were African-American entrepreneurs discriminated against in credit markets? Did differential treatment in labor markets affect African-American entrepreneurship? Did African-Americans turn to entrepreneurship when wage labor was unavailable, or did they, presumably like white Americans, use wage labor to accumulate wealth and experience as a path to entry into entrepreneurship? Did African-American customers "buy Black?" Did African-Americans prefer to work for other African-Americans? While the 1910 census provides virtually no financial information about individuals with business, or the businesses themselves it does allow a limited exploration of these questions.

Tables 9 and 10 summarize the results of a series of logistic regressions estimating the likelihood that an individual will be either an employer or self-employed as a function of things which we can measure using the 1910 Census. These include two very crude proxies for the accumulation of human capital - AGE and LITERACY - and one very crude proxy for personal wealth - home ownership (HOME). Because the observed pattern of entrepreneurship is so different between men and women, gender (FEMALE) is also included. Access to labor and credit markets are measured with two variables - UNEMPLOYED and MORTGAGE. These two variables report whether the individual was unemployed at any point during the previous year and whether the individual, if a home owner, has a mortgage on the home. Because industries with larger average size firms have less potential for entrepreneurial activity, the variable SIZE, measuring the average number of workers per firm in detailed industry groups, is included. Of course, a potential entrepreneur's choice of industry may depend on both ease of entry and

potential for growth, the latter of which may be greater in industries with larger firms.

Several variables attempt to capture the relationship between race and race-related phenomena and the likelihood that an individual will be an entrepreneur. A-A indicates that the individual is African-American (Negro or mulatto) and ASIAN that he or she is Chinese, Japanese, or Hawaiian. Two variables designed to pick up the effects of occupational and residential segregation are included. The first (COUNTY) measures the percent of the county population which is African-American. The second (INDUSTRY) measures the percent of total employment in a detailed industry group which is African-American. In the regressions in which African-Americans and whites are pooled I include variables interacting the unemployed, home, and mortgage variables with the African-American race variable, to determine whether the relationship between those variables and entrepreneurship is different for African-Americans and whites. The regressions are run separately for agriculture and non-agriculture.

In every specification of the regression in which the data was pooled from individuals of different races, the coefficients on AFRICAN-AMERICAN and ASIAN were negative, suggesting that, given the other things controlled for, African-Americans and Asians were less likely than whites to be entrepreneurs. Since I have not controlled for wealth and other important determinants of entrepreneurship, this should be interpreted cautiously. For example, much of this negative effect may reflect the lower average wealth levels of African-Americans and Asians. As would be expected from the discussion above, being female was also generally associated with a decreased probability of being an entrepreneur. The one exception (Table 10, column 3) was the case of African-Americans outside agriculture, where women were significantly more likely than men to be self employed. The "human capital" variables behave as expected - older, literate people are more likely to be entrepreneurs - but the literacy variable is frequently insignificant, especially in the self employment regressions.

In the pooled regressions (Table 9, column 1 and Table 10, column 1) and in most of the non-agricultural regressions (Table 9, column 2 and Table 10, column 2), owning a home was associated with an increased likelihood of being an entrepreneur. But in other cases, the coefficient is negative and insignificant. This effect seems to be driven by a large number of tenant farmers and share croppers who are self-employed or employers. There are two ways to think about this result. One is that home ownership may be a reasonable proxy for wealth outside agriculture, but not within agriculture. The other is to accept that home ownership is correlated with wealth, but that wealth is less important to entrepreneurship in agriculture than outside it, because there were institutional mechanisms which allowed those with little wealth to acquire - through tenancy or sharecropping - the inputs necessary to engage in business. African-Americans in agriculture were actually significantly less likely to be employers if they owned a home (Table 9, column 5). This may suggest that African-Americans who have moved their way up the agricultural ladder sufficiently to own their home may also be in a position to diversify their crop plantings outside of cotton in a way that decreases their need for labor outside the family.

Having a mortgage (visible evidence of access to credit and of indebtedness) was usually positively associated with entrepreneurship. The variable is insignificant in several regressions, however, apparently being less important for

those who were self employed than employers, and somewhat more significant in agriculture than outside it. Again, this may well reflect the patterns of tenure on agricultural land used for different crops or cultivated at different scales.

Previous unemployment strongly and significantly decreases the probability that an individual will be an entrepreneur. This is true for both whites and African-Americans. The results are stronger in the employer, than the self-employed, regressions. In all the self-employed regressions, the absolute value of the coefficient is smaller for African-Americans than white; in the pooled, self-employed regression the variable interacting race and previous unemployment is positive and significant (Table 10, column 1). These results suggest that there was some "falling into," as opposed to "opting into," self-employment, and that there was somewhat more of it among African-Americans than among whites. But overall, both African-American and white entrepreneurs were more likely to have been continuously employed. African-American entrepreneurs may have left wage labor because discrimination limited opportunities, but those individuals who had found wage labor, perhaps with unsatisfactory conditions, were more likely to become entrepreneurs than those who had been excluded from wage labor.

Across a variety of specifications, African-Americans living in a county with a larger percentage of African-Americans (COUNTY) were more likely to be entrepreneurs. This provides some support for "enclave" explanations of ethnic business, which argue that ethnically homogenous residential communities can provide a market or other forms of support for ethnic businesses. A similar measure, INDUSTRY, was designed to pick up the effect of a large African-American presence, and a pool of African-American workers who were potential entrepreneurs, within detailed industry divisions. It gave very inconsistent results. In three of the African-American only regressions, the INDUSTRY coefficient was negative and significant. Thus, African-American employers, and the self-employed in agriculture, were less likely to be in industries with a heavily African-American work force. This reflects the concentration of African-American workers in industries with few African-American entrepreneurs. The industries where African-Americans located were ones in which a large proportion of the work force was entrepreneurial, and those were not the industries which had large proportions of African-Americans workers. In contrast, in the non-agricultural, self-employed African American regression (Table X:3), the coefficient on INDUSTRY is significant in positive. This reflects the large number of African-American women entrepreneurs in services, a sector which also employed a large number of African-American workers.

## Conclusion

This paper has found that overall rates of entrepreneurship, defined here simply as working in one's own business, with employees or not, were roughly equal between whites and African-Americans in 1910. This average equality masks important differences. These differences are not obviously explained by the oft referred to lack of entrepreneurial values on the part of African-American culture or institutions. On the other hand, the differences in patterns of entrepreneurship during this period may help to explain the decline, over the first three quarters of the twentieth century, of African-American entrepreneurship. The most important feature of African-American entrepreneurship which one can draw from this study



is the heavy concentration in agriculture, and for African-American women, agriculture and personal services. One can speculate that as these sectors declined over the course of the century, so did African-American entrepreneurship.

While the results of the regression analysis presented here must be treated very carefully, because of the limited nature of the data, they do suggest two important findings. First, most African-American employers were truly entrepreneurs in the sense of "opting" rather than "falling" into entrepreneurship. The African-American self-employed included a small, but significantly greater proportion of the previously unemployed than did the white. Second, African-American entrepreneurs were more likely to be located in counties with a higher percentage African-American population. This provides tentative support for enclave explanations of African-American entrepreneurship, before the creation of large urban ghettos. All that this paper cannot answer points to the importance of further research to understand the historical context of African-American entrepreneurship. This research should also shed light the process of entrepreneurship in the United States more generally. If competitive forces have not led to convergence, but rather divergence, in the entrepreneurial behavior of African-Americans and whites, a re-examination of the variety of networks which support entrepreneurship among the majority ethnic group is also in order.

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