

[The Racial Wealth Gap: the Role of Entrepreneurship](#)

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The racial wealth gap is one of the most striking and persistent disparities between Black and White households in the US. We study the determinants of this gap using a general equilibrium incomplete market model featuring dynamic discrete entrepreneurship choice and an empirically estimated income process. In the model, Black households face: (i) higher capital costs as entrepreneurs; (ii) a labour-income gap; and (iii) greater non-employment risk. We find that access to capital for Black entrepreneurs accounts for most of the racial wealth gap. Our model demonstrates that wealth transfers without social change cannot permanently address this gap and points towards addressing barriers faced by Black entrepreneurs as a key margin of intervention.