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The Journal of Socio-Economics 34 (2005) 331–339

The Journal of Socio-Economics

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Race, gender, and survivalist entrepreneurship in large northern cities during the Great Depression

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Abstract

In times of widespread joblessness, displaced workers often become self-employed, in order to survive economically. Applying the theory of survivalist entrepreneurship, this article examines racial and gender differences in the relationship between unemployment and self-employment, analyzing census data on northern U.S. cities during the Great Depression. The results show that, consistent with the theory, the entrepreneurial response to long-term joblessness varied by race and gender. White men, the most resource-advantaged group, reacted by becoming self-employed retailers in the mainstream economy. Yet, Non-white women, the most resource-disadvantaged group, responded by becoming self-employed in the personal services sector of the informal economy, where resource deprivation did not impede their entrepreneurial efforts.

JEL classification: J150; J230; N920

Keywords: Race; Unemployment; Entrepreneurship; Northern U.S. cities; Great Depression

1. Introduction

The relationship between labor market conditions and self-employment has been a central concern of theory and research on entrepreneurship. An established finding of this line of

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doi:10.1016/j.socec.2004.09.018

inquiry is that an increase in the intensity of unemployment will frequently be accompanied by an increase in the prevalence of self-employment (Light and Rosenstein, 1995, p. 159). For example, when joblessness rises during a business-cycle downturn, self-employment also tends to rise, as many displaced workers become self-employed in response to the pressing need to find a substitute for wage/salary employment (Becker, 1984; Steinmetz and Wright, 1989). These "survivalist entrepreneurs" are often the most desperate members of the labor force. Hoping to avoid total destitution, they have turned to self-employment only as a last economic resort (Light and Rosenstein, 1995, p. 213).

This article adds to the literature on survivalist entrepreneurs by investigating racial and gender differences in the relationship between joblessness and self-employment in northern U.S. cities during the Great Depression. The geographical and historical setting of the study was selected because it is highly appropriate for examining survivalist entrepreneurship. The manufacturing-based urban economies of the North were devastated by the Great Depression, and their stagnant labor markets were, accordingly, flooded with thousands of laid-off industrial workers at all skill levels desperately looking for employment. Many of the dislocated had to choose between long-term joblessness and petty enterprise. Quite often, they chose the latter, opening small firms – usually, retail stores – that would help them to eke out a living in the midst of the hard times. These so-called "depression businesses" proliferated as the nation's industrial economy collapsed in the 1930s (Light, 1979, p. 36). A salient question, however, has yet to be addressed: how did survivalist entrepreneurship vary by race and gender during the Great Depression? As the following discussion will suggest, the answer has theoretical implications.

2. Theory and hypotheses

There are two versions of the theory of survivalist entrepreneurship. The *simple disadvantage hypothesis* holds that unemployment will lead to self-employment independently of entrepreneurial resources, such as start-up capital (Light and Rosenstein, 1995, p. 151). But the *resource constraint version* suggests that these resources do influence the response to unemployment. Among those groups that are resource advantaged (e.g., Whites and men), joblessness will stimulate survivalist entrepreneurship, so for them, the relationship between unemployment and self-employment will be positive. Yet, among those groups that are resource disadvantaged (e.g., Non-whites and women), joblessness "has no effect in stimulating compensatory entrepreneurship" (Light and Rosenstein, 1995, p. 160). For such groups, then, unemployment and self-employment will be unrelated.

The two versions of survivalist entrepreneurship theory can be reconciled by specifying the conditions under which one version or the other may be true. On the one hand, the prediction of the simple disadvantage hypothesis is most applicable to self-employment in the *informal economy*, a commercial arena of enterprises that are marginal and, therefore, easy to start, even for the most resource-disadvantaged groups (Light and Rosenstein, 1995, p. 153). The entrepreneurial activities of this sector are small, cash-based, irregular, and unmonitored by the government (Light and Karageorgis, 1994, p. 650). Among the most common of these pursuits are low-status, labor-intensive endeavors that require little start-up capital or formal training, such as personal services (Boyd, 2000). On the