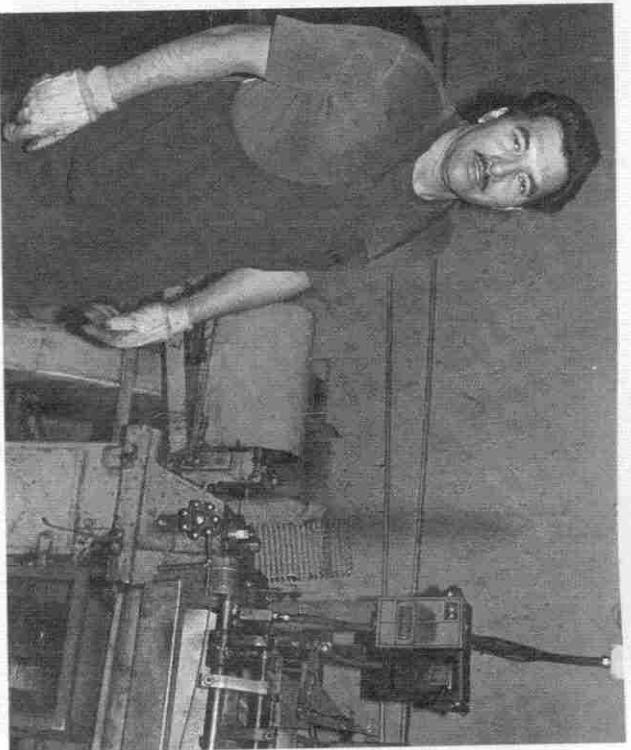
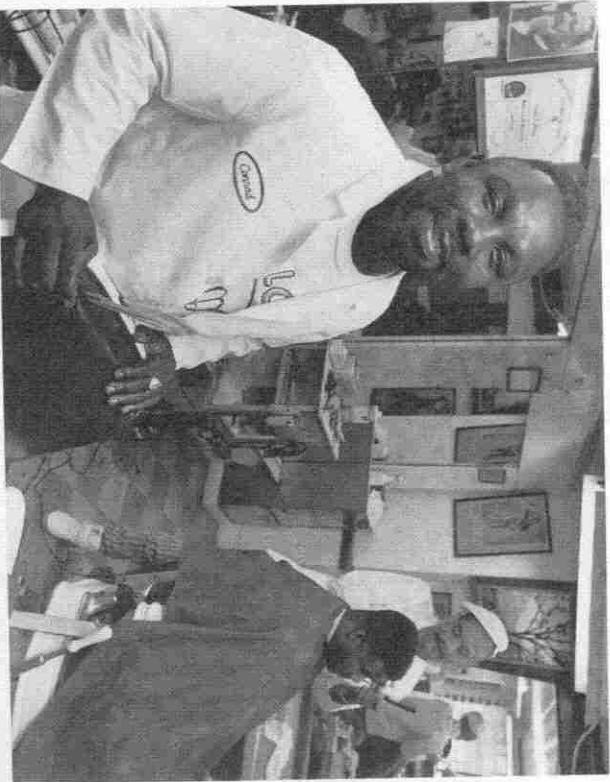


## The Ethnic Economy since Weber



This Mexican-born man working in a wire factory found his job through coethnic referrals. With the exception of the factory's manager and secretary, all of its employees are Mexican immigrants, hired through ethnic networks.



Trinidadian barber, Boston. Historically, discrimination has limited African-American entrepreneurs' access to loans and business locations. However, segregation also provided access to a captive coethnic market for the provision of personal services. Accordingly, barbers, doctors, teachers, ministers, and undertakers have been prominent occupations among the African-American middle class. Barber shops are important community centers in many ethnic communities.

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African American entrepreneurs had been unusually successful in Tulsa, Oklahoma, converting the city's black community, Greenwood, into a showplace of enterprise and pride.<sup>1</sup> When a black man was accused of raping a white woman, whites formed a lynch mob outside the jail on May 30, 1921. After exchanging shots with defenders, the white mob invaded Greenwood, burning and looting black-owned homes and businesses. By the time the National Guard broke up the riot, 18,000 homes and businesses had burned, and 304 people were dead. Newspapers blamed the African Americans for the riot.

During the night of November 9, 1938, Adolf Hitler's followers smashed Jewish storefronts in cities all over Germany. The Nazis also looted the stores, torched many, and shot and beat the hapless proprietors and their families. According to Hitler's propaganda minister, Josef Goebbels, "ordinary German citizens" had spontaneously arisen to punish the Jews for economic crimes. The police did not interfere.<sup>2</sup>

The black-Korean conflict in Los Angeles came to the world's attention on April 29, 1992, when rioting and looting broke out in South Central Los Angeles, the heart of the city's black community. In 3 nights of rioting, the worst in American history since 1863, mobs damaged 2073 stores, nearly two-thirds of which

were Korean-owned.<sup>3</sup> Of looted stores, 38% were also deliberately burned. Police protection was ineffectual.

When in the spring of 1998 banks closed and the national currency collapsed on foreign markets, irate Indonesians turned against Chinese storekeepers, whom they blamed for the currency's devaluation. Rioters "searching for scapegoats" attacked the Chinese minority.<sup>4</sup> During 3 weeks of rioting, mobs looted Chinese-owned stores and murdered Chinese store owners. Police watched, and some participated in the looting.<sup>5</sup>

In all these cases, angry mobs targeted ethnic businesses. Scholarly interest in the ethnic economy owes much to these horrifying incidents and to others, too numerous to enumerate, that are very similar. On the other hand, the ethnic economy also draws scholarly interest, especially in the United States, from the Horatio Alger tradition. Whatever Alger may really have meant, in American culture the "Horatio Alger tradition" stands for self-help that eventuates in rags-to-riches life stories.<sup>6</sup> When despised and disadvantaged minorities start their own businesses, they progress from employee to business owner, a progression that Abraham Lincoln admirably called "the true condition of the laborer."<sup>7</sup>

Moreover, when ethnic and racial minorities open business firms, they create new jobs for themselves and others rather than taking jobs from the general labor market. These new ethnic enterprises expand the job supply of the host society, benefiting the ethnorracial majority as well as the minority. One might suppose that, even if prompted by self-interest, others would encourage and support ethnic business. Why should anyone hate those who increase the job supply? However, the historical record indicates that hatred and violence are frequent responses. Ethnic economies have been and still remain controversial. Three generations of social science inquiry have helped to clarify the reasons.

### WHAT IS AN ETHNIC ECONOMY?

An *ethnic economy* consists of coethnic self-employed and employers and their coethnic employees. Whatever is not part of the ethnic economy belongs to the general labor market. Simple to define, and useful in studies of immigrant and ethnic minorities, the concept of ethnic economy derives from three feder traditions. The first originates with the European founders of historical sociology: the second with the literature of middleman minorities that descended from the first; and the third autonomously from African American economic thinkers, notably Booker T. Washington. Although classical economists had no interest in ethnicity, classical sociologists did. Marx, Weber, and Sombart all thought that modern capitalism emerged from and superseded a primitive, ethnic predecessor. Therefore, all three distinguished traditional capitalism and modern capitalism. Sombart declared that a modern capitalist enterprise operates impersonally. That is, decision makers place profit considerations ahead of all purely personal rela-

tionships, including relationships of coethnicity. In contrast, "fraternal and communal sentiments" decisively shaped the decision making of traditional firms.<sup>7</sup> The symptoms were favoritism, nepotism, communalism, and exceptionalism in every phase of the traditional firm's operations.

Weber, too, maintained that everywhere in the world precapitalist firms operated a dual-price ethic that reflected underlying loyalties to ethnoreligious groups rather than a determination to maximize profit whatever the social consequences. Weber thought that profit maximization at the expense of all purely social ties was a feature of modern capitalism. Indeed, Weber<sup>8</sup> excoriated the Jews from the charge of inventing capitalism, raised against them by romantic nationalists such as Richard Wagner, the composer, on the grounds that Jews were too traditional in their business outlook to have accomplished the task.<sup>9</sup> Therefore, late-medieval Jews still permitted ethnoreligious relationships to color their business practice. For instance, during the transition from feudalism to capitalism, Jews would still charge a coethnic less than a non-Jew or do business favors for a Jew that they would not do for a non-Jew. Citing these backward practices, Weber pleaded the Jews guilty to minor ethnochauvinism while exonerating them of the disgrace of having invented capitalism.<sup>10</sup> Here Weber's widely shared view converged with the Marxist tradition that distinguished precapitalist business enterprise from capitalist business, reserving to the latter a dynamic role in social change.<sup>11</sup>

Modern capitalism required a decisive break with traditionalism, said Weber, and the Jews could not break out. Weber claimed instead that Protestant sectarians, especially those influenced by Puritanism, had first stripped business enterprise of the fraternal and communal sentiments that had everywhere else in the world prevented the emergence of rational bourgeois capitalism from its ethnic predecessor. Weber believed that its universalism rendered rational bourgeois capitalism superior to traditional capitalism. First, universalism permitted legal regulation of contracts and relationships instead of reliance upon social trust and shared cultural understandings. Second, universalism permitted bureaucracy, itself a key technical innovation. Bureaucracy permitted unlimited expansion of organization size with access to economies of scale, meritocratic appointment to office, official careers, rational cost accounting, and continuous technical innovation. Both Weber and Marx relegated ethnic capitalism to a back burner of sociological interest where, until quite recently, it stayed. After all, ethnic capitalism could not reach vast size, employ bureaucratic methods of organization, appoint workers on the basis of technical qualifications, replace strikers with noncoethnic strikebreakers, accept the judgments of a balance sheet, or promote research and development. Modern capitalism could accomplish all these feats. Because of these advantages, modern capitalism drove out and replaced traditional capitalism. Although traditional capitalism remained significant in underdeveloped countries, even there its days were numbered and its influence continually diminished. Following Weber, mainstream social science endorsed all these conclusions, promoting them virtually to canonical status.

## MIDDLEMAN MINORITIES

The literature of middleman minorities developed in this intellectual climate.<sup>12</sup> Oddly, Weber's<sup>13</sup> own concept of "pariah capitalism" had called attention to ethnic minorities that specialized in market trading in precapitalist societies. Unlike proletarian minorities, whom Blauner<sup>14</sup> theorized in terms of internal colonialism and Bonacich<sup>15</sup> in terms of split labor markets, middleman minorities were marginal trading peoples, residing in diasporas, who continued this commercial livelihood into the modern age despite the presumably adverse competitive climate created by modern capitalism.<sup>16</sup> True, Jews were the star illustration of a middleman minority, a centrality that linked middlemen with Weber's concept of pariah capitalism.<sup>17</sup> However, following Howard Paul Becker,<sup>18</sup> who first defined this concept, middleman minority theorists expanded the repertoire to include trading peoples all over the world.<sup>19</sup> Armenians, overseas Chinese, Gypsies, Sikhs of East Africa, the Parsees and Marwaris of India, Ismaili Muslims, the Hausa of Nigeria, and others also represented trading nations that sojourned abroad, performing mercantile roles in a context of old-fashioned ethnic capitalism.<sup>20</sup>

Although old-fashioned ethnic capitalism still worked in backward, Third World regions, survival on the margin did not challenge the mainstream's confidence in the ultimate superiority of modern capitalism. After all, so it was argued, middleman minorities inhabited backward regions still unpenetrated by modern capitalism. As capitalism expanded, big, rationally organized corporations would displace small and medium businesses that operated with traditional rules. Some of these were ethnic businesses; others belonged to the petit bourgeoisie.<sup>21</sup> Both were doomed. A fine example of the mainstream's eschatology is Clifford Geertz's<sup>22</sup> depiction of rotating credit associations as "a middle-rung in development." As Third World countries developed and modernized, Geertz claimed, they would replace the old-fashioned money pools with banks and insurance companies, the progressive financial institutions of modern capitalism. Decades later, rotating credit associations are more powerful and extensive than ever in many parts of the Third World, so the claim that modernization dooms them to oblivion is unpersuasive now.<sup>23</sup>

Actually, a generation ago, when Clifford Geertz was still preaching the conventional view, research had already challenged the supposition that traditional ethnic business conferred only liabilities and no advantages.<sup>24</sup> On the contrary, middleman minorities had developed particularistic resources that supported and enhanced their business success. These resources included entrepreneurial values, beliefs, institutions, and social networks through which the children of middleman merchants easily moved into mercantile roles, continuing the tradition of their family and people. Moreover, as Bonacich<sup>25</sup> argued, the uneasy practice of sojourning abroad inclined middleman traders to intensify their social solidarity, and social solidarity encouraged their business enterprises.

Nonetheless, instructive as it remains, the sociology of middleman minorities perpetuated certain conceptual blind spots.<sup>26</sup> First, middleman theory stressed Third World contexts, implying that advanced market societies no longer had traditional capitalism. This implication mirrored the intellectual context in the shadow of which the theory of middleman minorities had initially developed. That context fashioned a sharp distinction between traditional and modern capitalism, relegating ethnic capitalism to the doomed periphery of the world economy. Representing the cutting edge of capitalist development, the core could then be treated as free of the residues of traditional capitalism.<sup>27</sup> Even if this judgment was in a broad sense correct, it was certainly oversimplified. In actuality, pluralistic societies of North America always contained marginal sectors within which ethnic capitalism continued to flourish, often more luxuriantly than the modern alternative.<sup>28</sup> A simple core-periphery contrast overlooked these ethnic sectors, terribly important though they were to the communities involved.

Second, middleman minority theory could treat only trading peoples with a history of traditional capitalism. Groups such as the Chinese, Jews, India's Marwaris, and Armenians met this qualification. But middleman minority theory could not address the situation of wage-earner groups among whom private business was a peripheral pursuit or who had only recently turned to entrepreneurship.<sup>29</sup> This limitation rendered middleman theory of limited use in the analysis of the economic integration and social mobility of ethnic minorities and immigrants generally.<sup>30</sup> If one wished to discuss the business enterprise of Cubans in Puerto Rico<sup>31</sup> or of Koreans in California,<sup>32</sup> the middleman minority concept was unsuitable because neither of these immigrant nationalities were historic trading peoples. The need to discuss these precise cases and others like them emerged empirically in the developed societies when many immigrant minorities turned impressively to business without a convincing middleman history and tradition. Business-oriented they certainly were, but they had not previously been historic middleman minorities.

Finally, middleman theory had lived comfortably with its own marginality. Middleman theory could explain old-fashioned ethnic capitalism in a Third World still unpenetrated by modern capitalism. However, when entrepreneurial minorities turned up in advanced industrial societies, not just in the periphery, they challenged the accommodation that middleman theorists had worked out within mainstream social theory. After all, the prosperity of middleman minorities in advanced countries implied that the ethnic business formula still worked even in the heartland of progressive capitalism. If so, the vaunted advantages of Fordist capitalism might not be so overwhelming as previously imagined. At a minimum, old-fashioned ethnic business had demonstrated more endurance than an earlier generation of theorists had imagined possible. At a maximum, old-fashioned ethnic business worked better than Fordist capitalism in selected contexts, and could even remedy economic problems (such as disintegrating central cities) that



modern capitalism could not. No one suggested then, as they do now,<sup>33</sup> that ethnic capitalism could sometimes outperform multinational corporations in many contexts.<sup>34</sup>

## BOOKER T. WASHINGTON

Booker T. Washington<sup>35</sup> was the leading spokesman of black America in the last decade of the 19th century. Unlike his arch-rival for African American leadership, William E. B. DuBois,<sup>36</sup> who stressed political action and education, Washington stressed business ownership and home ownership as strategies for black advancement.<sup>37</sup> To this end, he founded the National Negro Business league in 1900. Conceiving of the league as a federation of local black chambers of commerce, Washington hoped the business leagues would improve the economic condition of black America, substituting home ownership for tenancy and business ownership for unemployment. Washington's book *The Negro in Business* laid out his economic program, but it also described in empirical detail the advantages of networking in business, a wisdom that American business schools did not receive for another eight decades.

Within the African American community, Washington's political opponents criticized his willingness to compromise with racial segregation. It is true that Washington recommended toleration of legal racial segregation in the South, where most blacks then lived. In actuality, however, Washington did not accept the South's racial status quo as his opponents simplistically alleged. He only believed that the development of black economic power should have priority over black political power and black higher education. A dollar, he once remarked, was worth more to blacks at that moment than was the franchise. Given economic power, he thought, black people would have much less trouble claiming social and political equality than they would without it. Therefore, forced to select a priority, he stressed getting money over getting the vote. This judgment was not complete madness. Reviewing the historical record, Robert Weems now declares that the ideas of Washington "merit serious reconsideration."<sup>38</sup>

Washington's supporters lost a decisive political battle to DuBois, his opponent, at the Niagara Conference of 1905.<sup>39</sup> After this defeat, Washington never recovered his leadership, which was assumed by DuBois's organization, the National Association for the Advancement of Colored People. This organization's programmatic focus was on ballot access and education, not entrepreneurship. Although banished from the leadership of the African American movement, Washington's economic philosophy remained influential among many black intellectuals, including Malcolm X, and among African American business faculty, who kept alive and improved his ideas in a series of research monographs.<sup>40</sup> During the 1940s, African American intellectuals were maintaining the only active debate about and research into minority entrepreneurship in the academy.<sup>41</sup> When, years

later, interest in ethnic economies reemerged in North America, their writings and those of Booker T. Washington informed and animated the scholarly literature on the topic then available.<sup>42</sup> Still later, as academic interest in immigrant and ethnic minority business spread to Europe, Australia, and Asia from the United States, Washington's legacy became global.

## THE ETHNIC ECONOMY

Contemporary ethnic economy literature derives from all these feeder traditions, but owes most to the theory of middleman minorities. Without denying the achievements of middleman theory, which remains a valid case, ethnic economy theory is more general. Every middleman minority has an ethnic economy, but every ethnic economy does not betoken a middleman minority. An *ethnic economy* or, as we shall later call it, an *ethnic ownership economy* exists whenever any immigrant or ethnic group maintains a private economic sector in which it has a controlling ownership stake. The size of the ethnic economy affects its significance. A big ethnic economy is of more consequence than a small one. However, size is not a defining feature of an ethnic economy. A small ethnic economy is still an ethnic economy, and every ethnic group has an ethnic economy, including white ethnic groups.<sup>43</sup>

Social science interest in ethnic economies began in 1972 with the publication of *Ethnic Enterprise in America* by Ivan Light.<sup>44</sup> This book compared Chinese, Japanese, and African American self-employment between 1880 and 1940, concluding that social trust supported entrepreneurship. *Ethnic Enterprise in America* anticipated the major theoretical ideas that came later, including social and cultural capital. Additionally it stressed the contributions of rotating credit associations to minority commerce. Rotating credit associations, discussed in chapter 4, still provide the strongest evidence of social capital effects on business.<sup>45</sup> However, *Ethnic Enterprise in America* did not introduce the concept of ethnic economy. Edna Bonacich and John Modell were the first operationally to define ethnic economy.<sup>46</sup> By *ethnic economy*, Bonacich and Modell meant any ethnic or immigrant group's self-employed, its employers, their coethnic employees, and their unpaid family workers. Thus defined, an ethnic economy demarcated the employment immigrant and ethnic minorities had created on their own account from jobs provided them by the general labor market. Thanks to the hard-edge definition, one could measure the size of any ethnic economy in a single percentage. If 16% of all workers (including self-employed and employers) work in an ethnic economy, then 84% of the group works in the general labor market. In this sense, the Cuban ethnic economy of Miami comprises self-employed Cubans, Cuban employers, and their Cuban employees in Miami. The Cuban ethnic economy does not include Cubans who work for wages in the general economy. For example, the Cuban ethnic economy does not include Cubans who work for agencies

of government, for multinational corporations, or for private businesses owned by non-Cubans. All of those Cuban employees work in the general labor market.

A puzzling issue is how to define an ethnic group. In principle, everyone is ethnic, including assimilated whites, and Collins<sup>47</sup> rightly complains that the ethnic business literature includes too few whites. As matters stand, whites are the least understood ethnic entrepreneurs. However, as a matter of practice, which is no guide to desirability, ethnic economy researchers have routinely defined ethnic groups in terms of their foreign national origins. Thus defined, the Irish originated in Ireland, a nation; and the Chinese originated in China, another nation. However, ethnic groups need not be defined by national origin. The Irish can be Protestant or Catholic, and each subset further differentiates into county affiliations that have ethnic quality within Ireland. Similarly, the Chinese can be from the mainland, from Taiwan, from Singapore, or from Hong Kong; they can speak various dialects; and they can come from one or another region, all of which have internal ethnic characteristics. Nationality is not a perfect indicator of ethnicity.

Like other indicators of national origin, the terms *Irish*, *Mexican*, *Chinese*, and so forth are approximations to real ethnic identities. Ethnic economies depend upon ethnicity not national origins for their boundaries, and national origin is just a convenient indicator of ethnicity, not the real thing. For example, although Chinese-speaking Shanghaiese entrepreneurs played the role of ethnic minority in Hong Kong, a Cantonese city,<sup>48</sup> where their firms composed a Shanghaiese ethnic economy. Similarly, Iranians of four different ethnonreligious backgrounds cooperated mainly with coreligionists in Los Angeles, a circumstance that created four thinly linked Iranian ethnic economies, not just a unitary Iranian ethnic economy.<sup>49</sup> Similarly, Guarnizo<sup>50</sup> observes that 70% of Mexican American entrepreneurs in Los Angeles actually hailed from only four districts in Mexico, a provenance that is lost unless we examine internal ethnicity among Mexicans.

An ethnic economy is ethnic because the personnel are coethnics. Intended only to distinguish the internal or external auspices of work creation, the concept of ethnic economy makes no claims about the locational clustering or density of firms, which might, indeed, be evenly distributed among neighborhoods and industries.<sup>51</sup> The concept of ethnic economy is agnostic about clustering. As a matter of definition, the concept also makes no claims about the level or quality of ethnicity within the ethnic economy or between buyers and sellers. Buyers and sellers need not be coethnic in the ethnic economy, nor need they conduct their business in a foreign language. This definition does not focus attention upon trade conducted by owners for the benefit of coethnic buyers, whether at the retail or the wholesale level. Owners are in their own group's ethnic economy regardless of whether their customers are or are not coethnics. The concept of ethnic economy neither requires nor assumes an ethnic cultural ambience within the firm or among sellers and buyers. Bonach and Modell's<sup>52</sup> research found that those in the Japanese American ethnic economy were more ethnically Japanese

than Japanese Americans of the same generation who worked in the general labor market, a finding that O'Brien and Fugita<sup>53</sup> have confirmed. This empirical result was not a matter of definition. The Japanese American ethnic economy would have remained an ethnic economy even had the workers in this economy retained no higher Japanese ethnicity than Japanese Americans in the general labor market.

In the pluralistic societies of North America, immigrant and ethnic minorities have always competed for income, mobility, political power, and prestige. Assimilation theory always assumed that insertion as wage earners into the economic mainstream improved immigrants' earnings chances, and that insertion required and accelerated acculturation.<sup>54</sup> In this view,<sup>55</sup> still the dominant one, ethnic entrepreneurship would not enhance ethnic economic welfare so much as would economic incorporation into the wage-earning mainstream.<sup>56</sup> Wage jobs in the mainstream are deemed likely to pay more than the ownership of small businesses, and jobs outside the ethnic community are deemed better than jobs within it.<sup>57</sup> Reitz and Sklar's comprehensive survey<sup>58</sup> found that the assimilation model's economic assumptions did fit the economic experience of European ethnic and immigrant groups in Canada. Men of European origin paid a penalty of about 10% if they retained ethnic language use, a sign of nonacculturation. However, the assimilation model did not fit the economic experience of nonwhites in Canada, who paid no financial penalty at all when they continued to speak foreign languages in Canada.<sup>59</sup> Acculturated or not, nonwhites experienced economic disadvantage.

Turning to the ethnic economy, we find that some ethnoracial groups have turned heavily to entrepreneurship, others have made average use of it, and still others have made below-average use.<sup>60</sup> In the United States, high-entrepreneurship groups include Arabs, Armenians, Chinese, Gypsies, Greeks, Italians, Japanese, Jews, Indians and Pakistanis, Lebanese, Koreans, and Persians.<sup>61</sup> Immigrants of western and central European provenance have generally displayed only average entrepreneurship in North America, as have Cubans and Latin Americans. Blacks, Mexicans, Vietnamese, and Puerto Ricans have had below-average rates of entrepreneurship in North American towns and cities.<sup>62</sup>

## THE ETHNIC ENCLAVE ECONOMY

The concept of an *ethnic enclave economy* resembles the concept of ethnic economy and was often identified with it in the 1980s.<sup>63</sup> However, these are different concepts with different intellectual lineages. Unlike the concept of ethnic economy, which derived from the earlier literature of middleman minorities, the concept of ethnic enclave economy derived from dual labor market theory, itself a product of institutional economics.<sup>64</sup> Dual labor market theory developed in the late 1960s as an effort to explain persistent inequality in employment. Seeking to explain the reduced income and status attainment of women and

minorities, dual labor market theory claimed that disadvantaged groups were locked into an inferior, secondary labor market that did not offer egress into more desirable jobs in the primary sector of the labor market.<sup>65</sup> "Labor market segmentation" meant the long-term coexistence of noncommunicating labor markets in which vastly different standards of remuneration and work satisfaction prevailed. Since neoclassical economics declared such a situation impossible, labor segmentation theorists had to concentrate on proof, not theory.<sup>66</sup> Valid as far as it went, dual labor market theory took wage labor as its reality, entirely overlooking self-employment on the grounds, then widely shared, that self-employment was a dwindling phenomenon of negligible importance. In practice, this simplification led to a world view in which self-employment vanished from the consciousness of social scientists.<sup>67</sup>

Sullivan<sup>68</sup> was the first to note that labor market studies could no longer treat self-employment as an anomaly that could be ignored. Somewhat later, Portes and Manning<sup>69</sup> made the case more forcefully, and their view has subsequently prevailed. Although some segmentation theorists still ignore self-employment,<sup>70</sup> informed opinion no longer mistakes such treatment for a comprehensive analysis. First, self-employment is no longer declining in North America, Australia or in western Europe. Second, its prevalence was long underestimated in official documents, a practice that, it is now realized, unwisely encouraged social scientists to ignore the phenomenon.<sup>71</sup> Finally, the effects of self-employment are usually stronger in immigrant and ethnic minority communities than they are in the general economy.<sup>72</sup> Therefore, if self-employment is ignored, no treatment of employment can be comprehensive.

This influence of dual labor market theory is clear in the work of Wilson and Portes,<sup>73</sup> the earliest formulation of the ethnic enclave economy. After a review of the dual labor markets literature, to which they believed themselves contributors, Wilson and Portes<sup>74</sup> introduced the concept of "immigrant enclave," a conceptual ancestor of the ethnic enclave economy. By immigrant enclave, however, Wilson and Portes still meant only the employment of immigrant workers in "the enclave labor market." Workers were in the enclave labor market if their employers were coethnics.<sup>75</sup> Wilson and Portes did not include the self-employed in their study because only employees were of interest to students of labor market segmentation—and the self-employed were not employees.

Wilson and Portes's concept of ethnic enclave economy built upon dual labor market theory's distinction between the competitive and monopoly sectors.<sup>76</sup> Wilson and Portes and his associates argued that ethnic enclave economies obtained some of the economic advantages of the monopoly sector even though, strictly speaking, they belonged in the competitive sector. Ethnic enclave economies obtained these advantages thanks to superior recapture of coethnic spending. This recapture was caused ultimately by vertical and horizontal integration along ethnic lines such that coethnic firms could suck value out of each stage of a product's movement toward the market, losing little or no value to

noncoethnic firms. Using the Cubans of Miami as their example, Wilson and Portes showed that Cuban firms bought from and sold to one another to an extent far beyond chance levels. Along *Calle Ocho*, the Cuban economy's main street, Cuban-owned firms bought the semifinished products of other Cuban firms, worked on the products themselves, and then passed the improved products on to other Cuban firms, which finally sold it at retail. These ethnic linkages permitted Cuban firms to extract maximum value from every dollar of final product ultimately sold to non-Cubans. As befits an important idea, analogous enclave situations are easily spotted once someone points out the basics. Tourists can see an analogous process operating on San Francisco's Fisherman's Wharf, where Italian fishermen sell their catch to Italian restaurants that sell seafood meals to visitors. In this manner, San Francisco's Italian ethnic economy monopolizes the whole value of the restaurant business even though the tourist industry has a competitive, small business structure.

The vertical and horizontal linkages that gave the enclave economy its quasi-monopolistic advantage derived ultimately from what social scientists now call *social capital*, a concept we define and use in chapters 4 and 5. Although Wilson and Portes did not utilize that terminology, which had not yet been invented, they did report that Cuban merchants built upon ethnic networks, ethnic trust, and common language for reasons of expediency. That is, Cuban business owners dealt with other Cuban business owners because they already knew and trusted them and could speak to them in their native language. These straightforward and practical business advantages were easy to understand without requiring observers to postulate a Cuban economic conspiracy to bilk or defraud consumers. At this point, Wilson and Portes intersected with the core argument of the ethnic economy according to which ethnic economies evolve naturally because of their operating advantages. True, Wilson and Portes's arguments about the quasi-monopolistic advantages of ethnic economies would have been familiar to African Americans, whose popular economic thought had long stressed like arguments, but their income recapture arguments had never before been empirically traced in formal input-output analysis as Wilson and Portes did.<sup>77</sup>

Portes<sup>78</sup> later expanded the enclave labor market to include the self-employed, the first time dual labor market theorists had done so. According to Portes, immigrant enclaves had two characteristics: spatial clustering, and numerous immigrant-owned business firms that employed many coethnic workers.<sup>79</sup> Even though his new conceptualization included the self-employed, then a conceptual innovation, Portes's emphasis was still upon the numerous workers they employed, not upon the self-employed themselves.<sup>80</sup> This emphasis upon numerous workers was a product of the labor market segmentation tradition. It ignored the question of what was to be done with the self-employed who employed no workers.

Portes and Bach<sup>81</sup> returned to Portes's<sup>82</sup> earlier definition of an enclave economy. However, they<sup>83</sup> operationalized the Cuban enclave economy as "all men indicating employment in firms owned by Cubans," a definition that excluded



the self-employed. Later, aggregating self-employed and their coethnic employees, who were not further distinguished, their final operationalization actually followed Boniach and Modell's earlier definition of the ethnic economy even though it contradicted the definition of enclave economy they offered. In this book, the ethnic enclave economy empirically consisted of the self-employed plus their coethnic employees in Miami. They compared Cubans in the enclave economy with Cubans in the primary and secondary sectors of the labor market in respect to money returns on human capital. They found that after 6 years of residence in the United States, the Cuban immigrants' money returns on occupational prestige and knowledge of English were more favorable in the enclave than in the primary labor market.

Turning to Mexican immigrant men, whom they also followed longitudinally from their arrival, Portes and Bach<sup>84</sup> found no enclave economy at all, a telling result. Cubans had an ethnic enclave economy, and Mexicans did not. Of course, Portes and Bach found self-employment among Mexican immigrants in their sample. In 1979, 5.5 percent of Mexican immigrant men in their sample were self-employed compared with 21.2 percent of Cuban men. However, Mexican self-employment did not create a small immigrant enclave economy to contrast with the Cubans' big one. Such a position would have coincided with the treatment one would have expected from the perspective of Boniach and Modell's concept of ethnic economy.<sup>85</sup> Instead, they declared that Cubans had an enclave economy and Mexicans did not. As a result, Mexican immigrants had to take their chances as "low wage labor in the open economy," whereas Cubans operated in a "setting dominated by immigrant business networks."<sup>86</sup> The non-existence of a Mexican enclave economy is clear evidence that Portes and Bach's concepts were not the same as those introduced earlier by Boniach and Modell.

Although Portes and Bach<sup>87</sup> cited Boniach and Modell, thus indicating familiarity with this earlier work, their treatment of Mexicans diverged from the concept of ethnic economy because they wanted to propose something different. As Portes and Bach conceived it, the ethnic enclave economy was not just the coethnic self-employed and their coethnic employees. It also consisted of a *locational cluster* of business firms whose owners and employees were coethnics and whose firms employed a "significant number" of coethnic workers. From this definition, three corollaries followed that excluded the Mexicans from an ethnic enclave economy even though Mexicans clearly had an ethnic economy. First, unlike Cubans in their sample, 90 percent of whom resided in Miami, Mexicans in their sample were more evenly dispersed across the Southwest. Therefore, their ethnic economies were small in scale and could not derive the same benefits from locational aggregation. Second, the scattered Mexican ethnic economies lacked a huge locational cluster like Miami's Little Havana. Third, the Mexican self-employed did not employ a significant number of coethnics in their firms, most of which had no employees at all. For these reasons, Mexicans had an ethnic economy as Boniach and Modell had defined it, but they did not have an ethnic enclave economy as Portes and Bach defined it.<sup>88</sup>

When attempting to define the ethnic enclave economy, Portes and Bach had in mind the Cuban economy of Miami. One-half the population of Miami is of Cuban origin, Miami's Little Havana contained (still contains) a conspicuous concentration of Cuban-owned firms in which many Cuban employees work. The concentration of the firms in a Cuban business district was conceptually important because of the threshold benefits supposedly derived therefrom. That is, Wilson and Portes<sup>89</sup> and Wilson and Martin<sup>90</sup> had argued that the Cuban ethnic enclave economy was hyperefficient because of vertical and horizontal integration, ethnically sympathetic suppliers and consumers, pooled savings, and rigged markets. Not sharing in this agglomeration benefit, Cuban-owned firms outside the Cuban enclave presumably did not derive any spin-off benefit from their location, so the enclave concept appropriately excluded such firms and their Cuban employees. Indeed, the alleged agglomeration effects of the Cuban ethnic enclave in Miami explained why neither Miami's blacks nor immigrant Mexicans could obtain equivalently high rates of self-employment as did immigrant Cubans.<sup>91</sup>

After much initial confusion during which the concepts were wrongly equated, the literature now distinguishes an ethnic economy from an ethnic enclave economy.<sup>92</sup> These are different concepts. As the concept of ethnic enclave economy matured, the term came to stand for the economic advantages of locational clustering. Economic advantage means the ability of the enclave economy to generate more money for participants than the participants would have been able to obtain without that enclave structure to support them. At this point, the ethnic enclave economy turned into a special case of the ethnic economy, the current view. It is a special case because every immigrant group or ethnic minority has an ethnic economy, but only some ethnic economies are territorially clustered and confer quasi-monopolistic economic advantage.<sup>93</sup> In other words, an ethnic enclave economy requires locational clustering of firms, economic interdependency, and employees, whereas an ethnic economy requires none of these. As a result, researchers conclude that ethnic enclave economies are fewer than ethnic economies.<sup>94</sup>

When ethnic firms are not clustered conspicuously in a neighborhood like Miami's Little Havana, or when firm owners have no employees, or when vertical and horizontal integration do not obtain, then an ethnic economy exists that does not fit the concept of an ethnic enclave economy. Since all three conditions are rarely obtained, the concept of ethnic enclave economy fits far fewer cases than does the concept of ethnic economy. The case of Iranians in Los Angeles illustrates the distinction. The Iranians' ethnic economy is very large. It occupies 61.3 percent of Iranian heads of households in the labor force. However, the Iranian ethnic economy is not an ethnic enclave economy for two principal reasons. First, the Iranian firms are virtually unclustered in space just as Iranian residences are unclustered. The Iranian ethnic economy lacks a business core analogous to Chinatown or Little Havana.<sup>95</sup> Second, the Iranian firms are heavy on owners, but light on coethnic employees. Therefore, the ethnic enclave economy's emphasis upon relative wages misses the main economic effect of the ethnic economy.

## INTERACTIONISM

The textbook explanation of entrepreneurship has long maintained that entrepreneurship has a demand side as well as a supply side.<sup>96</sup> That is, the number of entrepreneurs anywhere and their characteristics depend simultaneously upon what customers want and what provider groups will supply. Here what the customers want to buy stands for the demand side of the explanation, and what the provider groups offer stands for the supply side.<sup>97</sup> Both sides belong to a full explanation. However, as the ethnic economy literature developed, emphasis had fallen heavily upon the supply side to the neglect of the demand side. This emphasis made sense in terms of the new subject's need to prove the existence of intergroup variation on the supply side in order to legitimate the whole discussion. Additionally, the practice of holding some factors constant in order to ascertain the effects of others is both essential and legitimate in social science. Nonetheless, some researchers complained that the ethnic economy literature neglected the demand side. They asked for balanced explanations that included both the demand side and the supply side.

In a pioneering statement of this complaint, Waldinger, Ward, and Aldrich<sup>98</sup> observed that a "common objection to cultural analysis" was its lack of attention to "the economic environment in which immigrant entrepreneurs function." They recommended "an interactive approach" that examined the "congruence between the demands of the economic environment and the informal resources of the ethnic population." Since the time they wrote this, that reaction has achieved the strength of a movement of thought in the ethnic economy literature, within which it is now axiomatic that ethnic entrepreneurs emerge from the interaction of supply and demand. At first, this conclusion sounds like the prewar textbook orthodoxy rewarmed. However, the interaction approach does not represent a return to the older textbook generalization that supply and demand coproduce entrepreneurs. That older view makes no reference to the articulation of supply and demand, only insisting that both participate in a complete explanation. In contrast the interaction hypothesis specifies how supply and demand codetermine entrepreneurship—not just that they do so. Specifically, interactionism claims that the entrepreneurial performance of groups depends upon the fit between what they have to offer and what a market requires.<sup>99</sup> The better the fit, the more entrepreneurs; and the same group can experience a good fit in some places and a poor fit in others. Thus, the Chinese operate proportionally more restaurants in New York City where numerous Jews like Chinese food than they do in cities whose predominantly non-Jewish consumers do not share the enthusiasm.<sup>100</sup> This example suggests that the number of Chinese restaurants in any place is a joint product of the number of Chinese in the place and the local public's appetite for Chinese food. In fact, interactionism maintains that every group's entrepreneurship depends upon the fit between what it can do and what the local market demands.

Interactionism imposed a new and stringent methodological constraint upon ethnic economy research. In order to expose supply and demand factors, interactionist research designs must permit simultaneous variation in supplier groups and in demand environments. Some preinteractionist research met this design requirement; most did not.<sup>101</sup> For example, in their research on Asian entrepreneurs in three British cities, Aldrich, Jones, and McEvoy<sup>102</sup> compared the Asians with a sample of white entrepreneurs in respect to directly measured practices thought to reflect ethnic business style. They found few differences between Asians and whites in respect to resource endowment but important differences in business environment among the three cities, with all groups demonstrating higher rates in some than in others. Reviewing the evidence, they concluded that "immigrant business activity" was more shaped by internal than by external forces. "The opportunity structure of the receiving society outweighs any cultural predisposition towards entrepreneurship."<sup>103</sup> Absent simultaneous variation in both supply and demand conditions, this judgment would not have been permissible.<sup>104</sup>

However, most early, interaction-seeking research stumbled over this methodological requirement. For example, in his study of New York City's garment industry, Waldinger stressed the advantages of a balanced treatment that acknowledges "opportunity structures" as well as cultural influences. In this regard, Waldinger<sup>105</sup> mentioned the economic advantages that lured immigrant Dominican and Chinese entrepreneurs into this industry. These economic advantages included low returns on economies of scale, instability and uncertainty of product demand, small and differentiated product markets, agglomeration advantages, access to cheap labor, and vacant niches caused by exodus of ethnic white predecessors. These demand-side attractions did not negate what Waldinger called the "predispositions toward entrepreneurship" of the immigrants, and Waldinger acknowledged the predispositions as well as the economic incentives. Waldinger regarded this conclusion as a balanced one that did justice to supply as well as demand influences.

However, Waldinger's research varied only groups. It did not simultaneously vary demand environments.<sup>106</sup> His multiple groups—one industry design only permitted inductive generalizations about the influence of supply-side resources upon entrepreneurship. It did not permit generalizations about the influence of demand environment, a constant. From a formal point of view, therefore, Waldinger's balanced conclusions were of unequal value. On the one hand, the comparison of Chinese and Dominicans permitted conclusions about the influence of different supply profiles on the groups' entrepreneurship. On the other hand, Waldinger's design did not authorize his conclusions about demand.<sup>107</sup>

To solve the methodological problem, balance-seeking research turned to multigroup, multilocality research designs. In these designs, a plurality of ethnic groups represented the supply side, and a plurality of localities the demand side. In the first of these interactionist designs, Light and Rosenstein<sup>108</sup> examined



the self-employment rates of five ethnoracial categories in 226 metropolitan regions of the United States. The categories were native white, foreign-born white, Asian, black, and Hispanic. This research did turn up some interactionist results. Metropolitan areas showed considerable variation in respect to the rank order of ethnoracial categories within them. For example, Chico, California, ranked 1st in self-employment rate for Asians and native whites, 3rd for Hispanics, but only 13th for blacks and 35th for foreign-born whites. If local demand just determined entrepreneurship, one would have expected all ethnoracial categories to respond identically to Chico. But, taking interactionism into account, one expects metropolitan areas to produce unequal rates of self-employment among resident ethnoracial categories.<sup>109</sup>

Light and Rosenstein were able to examine the main effects of demand and supply variables net of the supply-demand interaction required by interactionist theory. If interactions were the only influences upon the self-employment of ethnoracial groups, then neither supply variables nor demand variables should exert any direct and unmediated main effects. The results were only partially confirmatory of interactionism. Although interaction strengthened the explanatory power of demand-side variables, when supply variables were omitted, supply-demand interactions only slightly reduced the main effect of supply-side variables such as age, gender, human capital, and ethnoracial category. This result is compatible with the presumption that capacities leap across occupational and industrial boundaries.

Razin and Light<sup>110</sup> compared the self-employment rates of 77 national origin groups in 16 metropolitan regions. This study used national origin groups as the supply-side unit, not ethnoracial categories. Greeks and Koreans were the most consistently entrepreneurial groups in the 17 metropolitan areas. Razin and Light found that mainstream groups' self-employment rates varied closely with the overall self-employment rate of the metropolitan areas, rising where that overall rate was strong and falling where it was weak. But nonmainstream groups had a different pattern. By nonmainstream groups, they meant national origin groups that are not predominantly white, or not predominantly Christian, or not from Europe, or all of these. Nonmainstream immigrants had a much greater propensity to form strong niches in a few low-income retail or service specialties. Razin and Light called these "entrepreneurial niches." The existence of these entrepreneurial niches shows that immigrants of the same nationality were clustering in the same occupations and industries rather than fanning out individually in search of the best opportunities.

## THE ETHNIC-CONTROLLED ECONOMY

Bonach and Modell's concept of ethnic economy frustrates those who wish to build ethnicity or niches into their analytical tools. Therefore, some researchers have redefined the term ethnic economy to suit broader needs, even at the risk of

producing terminological confusion. The first was probably Reitz<sup>111</sup> who defined the ethnic economy as any work context in which coethnics utilized a foreign language. Others have wanted to equate the ethnic economy to business firms in which buyers and sellers are coethnics.<sup>112</sup> When ethnics sell to or buy from noncoethnics, the transaction takes place outside the ethnic economy. The ethnic economy would then exist only when ethnics buy from and sell to coethnics.

Jobu<sup>113</sup> defined "ethnic hegemonization" as a combination of industrial clustering and industrial power. He illustrated his conception by reference to Japanese Americans in California agriculture. Because they were not only numerous in this industry, but heavily clustered within it, especially in strawberries, the Japanese Americans could raise the price of their farm commodities by withholding crops from the market. Therefore, Japanese farmers exercised economic power and were not just the price takers of economic theory. Successful minorities, Jobu generalized, "have to hegemonize an entire economic area, both horizontally and vertically." What is noteworthy is that Jobu referred to an industrial context in which Japanese Americans had ownership authority, but his concept of hegemonization stressed their power, based on their numbers and clustering, not their ownership authority.

About the same time, Light and Bonach<sup>114</sup> found that Koreans in Los Angeles were heavily clustered both as employees and as self-employed. The heaviest cluster was in soft drinks, in which Korean owners represented more than one-third of all dealers even though Koreans were only 5 percent of all business owners in Los Angeles County. More generally, the clustering of Koreans in self-employment was greater than the clustering of Koreans in wage employment (Table 1.1). Korean employees worked in just 64.7 percent of industries because 35.3 percent of industries had no Korean employees at all. On the other hand, 100 percent of self-employed Koreans worked in just 28.5 percent of industries. A full 71.5 percent of Los Angeles industries contained no self-employed Koreans at all! To equalize the distribution of Koreans among Los Angeles industries,

TABLE 1.1 Korean Representation in Employment and Self-Employment, 232 Industries of Los Angeles County, 1980 (in Percentages)

	Employees	Self-employed
No Koreans in industry	35.3	71.6
Up to 1% Korean	1.3	7.8
More than 1% Korean	63.4	20.7
Total	100	100
N	(232)	(232)

Source: Ivan Light and Edna Bonach, *Immigrant Entrepreneurs* (Berkeley and Los Angeles: University of California Press, 1988), p. 182. Reproduced by permission.

35.3 percent of Korean employees would have had to move into industries in which no Koreans were actually employed. Conversely, to equalize the distribution of Koreans among the self-employed, 71.5 percent would have had to move into industries that actually contained no Korean firms. The industrial clustering of Koreans, the authors noted, "conferred a potential for moderating competition, exchanging information, and mutual aid."<sup>118</sup>

Zhou and Logan<sup>115</sup> approached the ethnic economy of the Chinese through census data. They first identified industries in which Chinese were overrepresented, and defined the ethnic enclave economy as the sum of these industries. Modell<sup>116</sup> used a similar approach to compare Chinese and Cuban ethnic economies. Somewhat later, Logan, Alba, and McNulty<sup>117</sup> redefined an ethnic economy as "any situation where common ethnicity provides an economic advantage."<sup>118</sup> Possible situations included relations among coethnic owners, relations between owners and coethnic employees, and relations among coethnic employees in the mainstream economy. Since this definition of ethnic economy included wage earners in the mainstream, it was broader than what Bonacich and Modell had proposed. In practice, however, Logan, Alba, and McNulty crafted census-based measurements that mimicked the Bonacich and Modell concept of ethnic economy. Studying 10 ethnic groups in 17 metropolitan areas of the United States, they declared that joint overrepresentation of coethnic workers and coethnic employers in any industry would be interpreted as an ethnic-controlled industry, and the sum of the ethnic-controlled industries would represent the ethnic economy. Since the U.S. Census does not provide data on the ethnicity of business owners and of their employees, the authors had to examine clustering rather than ownership. Thus, finding Chinese heavily overrepresented as restaurant owners and restaurant employees, Logan, Alba, and McNulty concluded that the restaurant industry fell within the Chinese ethnic economy. There is a legitimate innovation because issues of data availability and quality impinge very strongly on all social science debates. Their compromise made it possible to count the number of ethnic economies in major cities from existing census data.

To redefine the ethnic economy as ethnic economic advantage invites dialogue with anyone who asserts that ethnicity never confers economic advantage. Timothy Bates<sup>119</sup> makes this claim, alleging that ethnicity is economically neutral, never advantageous. Other economists now dispute this view.<sup>120</sup> However, on Bates's ultraconservative view, the "bedrock" economic resources are only wealth and human capital.<sup>121</sup> People who enjoy wealth, education, and occupational skills prosper thanks to these resources alone. Ethnicity never contributes anything additional. From our perspective, this view is wrong, and rejecting it is a major purpose of this entire book. Just for starters, ethnic entrepreneurs usually cluster in the same occupations and industries.<sup>122</sup> Clustering confers market power above and beyond individual wealth and human capital. For example, Korean business owners monopolized the wig business

before federal prosecutors brought suit under the Sherman Anti-Trust Act. While they enjoyed their monopoly, Korean business owners excluded non-Koreans from the wig industry, and raised prices of wigs to consumers.<sup>123</sup> Again, Japanese farmers were able to raise prices for strawberries thanks to their clustering.<sup>124</sup> Cases like these are very common, and all illustrate an ethnic economic resource, market power, that does not depend upon the business owners' human capital or wealth.

Secondly, the redefined concept of ethnic economy (as ethnic advantage) opens discussion of how ethnic employees most advantageously operate outside the ethnic economy, an issue that Bonacich and Modell's concept cannot raise, much less address. For example, what if government employees control hiring for government jobs, but hire only their friends and relatives? These cases have happened with considerable regularity in American history.<sup>125</sup> In a pluralistic society such as the United States, ordinary nepotism produces ethnic clustering. When, thanks to nepotism, coethnics get the jobs, noncoethnics are excluded. True, the intent is to advantage friends, relatives, and coethnics rather than maliciously to injure outsiders—even if the effect is the same.<sup>126</sup> In such a case, too, contrary to Bates, workers obtain economic benefit from their ethnicity above and beyond whatever their individual wealth and human capital confer. Following Kessler and Modell,<sup>127</sup> who reached similar conclusions, Waldinger<sup>128</sup> reminds us that exactly this arrangement has long prevailed in the municipal government of New York City.<sup>129</sup> Waldinger studied the history of municipal employment in New York City in the twentieth century. He found that Italian, Irish, and Jewish immigrants obtained municipal employment through coethnic hiring networks. First, the immigrants established ethnic niches within government workplaces, occupations, and industries. For example, construction became an Irish niche, sanitation an Italian niche, and school teaching a Jewish niche. Ethnic niches are just ethnic concentrations at high density.<sup>130</sup> The economic success of white immigrants and their native-born descendants involved "finding a good niche and dominating it."<sup>131</sup> To dominate a niche meant to assure coethnic applicants of preferred access to jobs.

Very informal methods can obtain this end. An Irish contractor in Boston explained<sup>132</sup> his hiring procedure in this manner: "A good number of building contractors drinks in the pub, and the lads comes in and they gives them work." Since the Irish contractors drink in Irish-owned pubs, the lads are reliably Irish. Research recurrently reports that informal social contacts are the most frequent way in which people of all ethnolinguistic backgrounds find work.<sup>133</sup> Social networks also produce the best jobs. Moreover, once established in this way, ethnic niches are persistent.<sup>134</sup> Liebertson and Waters<sup>135</sup> found that white ethnics' occupational clusters had persisted for 80 years and were still going strong. White ethnics did not own the municipal government of New York City, which employed them, but they managed to control employment in it.

After 1970, African Americans began to enter employment niches that upwardly mobile whites had exited, and they also began to compete with whites for access to government jobs that had once been the exclusive preserve of the whites, and to develop niches of their own.<sup>136</sup> Indeed, Boyd<sup>137</sup> proposes that opportunities for blacks in the public sector siphoned away entrepreneurially endowed workers who would otherwise have started businesses. Although this claim has not been proven beyond the shadow of a doubt, the preponderance of government employment among African Americans is sufficiently strong to create at least a suspicion. Table 1.2 compares the sectoral employment (private, government, self-employment) of African Americans, non-Hispanic whites, and selected others in Los Angeles. Heavily immigrant, noncitizens, and lacking political influence, the Asian and Hispanic groups have a much smaller share of government employment than do non-Hispanic whites, who, in turn, obtain only half as much government employment as do blacks.

When coethnic workers control hiring, pay, and working conditions on the job, whether through numbers, trade unions, social networks, legal priorities, or any other advantage, they usurp the legal owners' titular authority to control those decisions. The employees thus obtain de facto control of someone else's property.<sup>138</sup> It does not matter whether the usurpation affects a private corporation, such as the Bank of America, or a government agency, such as the city of New York. Wherever they arise, ethnic niches confer some rights of ownership, but they do not require coethnics to own the premises, industries, or occupations whose hiring, wages, and working conditions they control. Lewin-Epstein and Semynov<sup>139</sup> even raise the possibility of an ethnic community "gaining hegemony" over portions of the public sector. At this point, business ownership and job control *become equivalent* in respect to the hiring advantage they convey. An

TABLE 1.2 Sectoral Distribution of Ethnorracial Groups in Los Angeles, 1990 (in Percentages)

Groups	Self-employment			Total
	Private	Government		
Non-Hispanic white	71.7	12.2	16.2	100
Black	69.2	23.7	7.1	100
Chinese	73.0	9.8	17.2	100
Korean	60.1	4.6	35.3	100
Mexican	86.3	7.2	6.5	100
Salvadoran	90.9	3.0	6.1	100

Source: James P. Allen and Eugene Turner, *The Ethnic Quilt: Population Diversity in Southern California* (Los Angeles: Center for Geographical Studies of California State University, 1997), p. 208.

ethnic-owned firm that employs 99 coethnics provides the same employment to coethnics as a state agency that employs 100 coethnics even though the employees do not own the state agency. Small and medium businesses are rarely unionized and they overwhelmingly hire coethnics through word of mouth recruitment. Worker control is uncommon in the ethnic-owned economy.<sup>140</sup> Giant corporations and public bureaucracies are the principal sites in which coethnics usurp de facto hiring authority from owners or managers who are not coethnic.

It is important to note that not all ethnic niches yield an ethnic-controlled economy. If coethnics cluster in a firm or government agency but do not, as ethnics, influence wages, hiring, working conditions, and the like, then an ethnic niche exists, but membership yields no control.

As we wish to address the broader advantages of ethnicity in the economy in this book, not just the advantages of ethnic ownership, important as those are, we require the conceptual means to do it. The Bonnachich-Modell concept of the ethnic economy does not provide sufficient means. Therefore, we propose to rename what Jobu called "ethnic hegemonization," what Logan, Alba, and McNulty called the ethnic economy, and what Waldinger<sup>141</sup> and others have called ethnic niches. Instead, we propose the term *ethnic-controlled economy* to encompass all these concepts, and, indeed, all situations and sectors in which coethnic employees (not owners) exert significant and enduring market power in the general economy, usually because of numbers, clustering, and organization, but also, when applicable, because of external political or economic power. In contrast to the ethnic-controlled economy, defined previously, we wish now to rechristen what Bonnachich and Modell called the ethnic economy as the *ethnic ownership economy*. These terminological redefinitions permit us to contrast an ethnic economy with its basis in property right, the ethnic ownership economy, with an ethnic economy whose basis is de facto control based on numbers, clustering, and organization, the ethnic-controlled economy (Table 1.3).<sup>142</sup>

TABLE 1.3 Ethnic Economies

Concept	Definition
Ethnic economy	Self-employed, employers, unpaid family workers, and coethnic employees
Ethnic enclave economy	An ethnic economy that is clustered around a territorial core
Ethnic ownership economy	An ethnic economy
Ethnic-controlled economy	Significant and persistent economic power exercised by coethnic employees in the mainstream economy



Our reasons for remaining are several. First, our terminology reduces intellectual clutter without losing content. The ethnic-controlled economy includes all manifestation of economic power based on number, organization, and clustering regardless of exactly what control employees exert. For example, employees may control hiring, wages, working conditions, training, or all of these. Second, different concepts should have different names; otherwise, one sows confusion.<sup>143</sup> Third, Bonaciach and Modell's definition of ethnic economy has a valid and legitimate purchase that we retain. Although we change the concept's name to ethnic ownership economy, we leave the content unchanged. Fourth, new terminologies clarify and highlight the latent distinction between ownership and control that has thus far eluded precise identification in the ethnic economy literature. Finally, we believe that the new terminologies invite and open up research questions that will profitably occupy research for some time.

## SUMMARY AND CONCLUSION

We have identified three related concepts that derive from the core literature, but that reflect different aspects of the ethnic economy. Of these, the oldest is what we have rechristened the ethnic ownership economy. The ethnic ownership economy consists of business owners and their coethnic helpers and workers. The businesses owned are small and medium in size. This concept permits comparison of the economic integration of ethnic groups now and in the past, in the United States and abroad. The ethnic ownership economy's boundaries distinguish where and how much a group has penetrated a host economy, taking the jobs it made available, and where, how, and how much each group has grafted new firms and jobs onto a host economy. A key feature of any group's economic strategy, this balance between self-employment and wage employment affects the ability of groups to accelerate economic mobility or to evade unemployment. Here the process of ethnic succession in the general labor market creates a baseline of economic mobility against which it is possible to explain why some groups have gone up faster than expected and others slower.<sup>144</sup>

The second concept is the ethnic enclave economy. An ethnic enclave economy is an ethnic ownership economy that is clustered around a territorial core. This concept invites inquiries about the consequences of territorial clustering. Existing literature proposes that territorial clustering permits ethnic communities to capture a higher proportion of sales than would be possible from unclustered firms. In effect, the ethnic enclave economy obtains economic strength that small business firms normally lack, but that monopolies enjoy. The added economic strength accrues to the advantage of the ethnic community, whose workers obtain extra jobs and profit as a consequence. This bonus accelerates their economic mobility above and beyond what unclustered ethnic economies provide.

Finally, we have identified a third sector, the ethnic-controlled economy. The ethnic-controlled economy refers to industries, occupations, and organizations of the general labor market in which coethnic employees exert appreciable and persistent economic power. This power usually results from their numerical clustering, their numerical preponderance, their organization, government mandates, or all four. The ethnic-controlled economy is completely independent of the ethnic ownership economy, and its participants exert *de facto* control, not ownership authority. Control permits coethnics to secure more and better jobs in the mainstream than they otherwise would, to reduce unemployment, and to improve working conditions.<sup>145</sup> In this way, the ethnic-controlled economy accelerates the economic mobility of participants as well as the ethnic group to which they belong.

If we call these three together the ethnic economies, to emphasize their relatedness, their contrast is with the mainstream labor market in which isolated ethnic employees have jobs outside ethnic economies. In these mainstream jobs, coethnics are unclustered, and they exercise no influence as coethnics. Mainstream employment results when immigrants and ethnics fan out in pursuit of individual economic opportunity. Fanning out is exactly what assimilation theorists expected.<sup>146</sup> In the mainstream labor market, immigrants and ethnics get the deal American society offers individuals, and this deal may include discrimination from *other people's* ethnic-controlled economies. For this reason, the general labor market is a more treacherous environment than its enthusiasts acknowledge. Mainstream employment is obviously very important in fact as well as in theory, and we do not ignore it. However, the mainstream labor market has for too long been interpreted as the only way in which ethnics and immigrants can obtain income.

Peter Li<sup>147</sup> asks whether self-employment offers better earning opportunities than wage work, and concludes that it depends on what type of self-employment one specifies. True enough, but the answer also depends, we suggest, on whether employees are in an ethnic-controlled economy or in the general labor market. To assume, as have assimilation theorists, that everyone works in the general labor market is to oversimplify. The prevailing simplification ignores all three ethnic economies in the interest of a homogeneous econospace within which uniform assimilation occurs at a constant speed, a Fordist image that has outlived its usefulness. No wonder that assimilation theory cannot explain why some ethnic and immigrant groups make faster economic progress than others, and why, very generally, intergroup economic outcomes are as divergent as they are.<sup>148</sup> On the whole, sociology's pedestrian answer has been intergroup inequalities of human capital, no doubt a meritocratic aspect of the problem. Still, it is clear that the three ethnic economies powerfully affect economic attainment *net of* individual wealth and human capital endowments. Progress in understanding unequal economic outcomes requires acknowledgment of the diversity in economic status that actually exists.

of the poor. We disagree; a worse poverty exists. When the poor lack social capital and even lack the capacity to form social capital, their situation is worse than when they only lack social capital. Such people are truly the poorest of the poor.<sup>73</sup> A cultural import from Bangladesh, Grameen-style microcredit cannot assist these poor people, so most American microcredit agencies have shifted their priority from creation of social capital to training trainable individuals. When training individuals becomes the goal, then agencies acquire an incentive to select from the pool of impoverished loan applicants those who require the least training. Training them is easier and cheaper than attempting to build social capital among those who cannot build it. However, this new strategy encounters the objection that the agency is selecting the least impoverished of the poor. Moreover, the training of individuals costs money, so the microcredit agencies require subsidies to offer it.

Contrasting banks on the one hand and, on the other, informal credit and microcredit, we find that each institution's orientation to social capital explains success or failure in the problem markets.<sup>74</sup> Except for institutional credit checks, a commodified social capital, banks ignore borrowers' uncommodified social capital. However, ROSCAs and Grameen-style microcredit lenders orient their entire strategy around social capital. Compared with this reorientation, the social discrimination of the bankers is of modest importance. This institutional difference in orientation explains why banks cannot service the problem markets whereas microcredit and informal credit can. Therefore, the chronic failure of the American financial system to deliver services to the problem markets arises from an excessive reliance upon banks. It is as though American society asked beavers to fly as well as to build dams, then criticized eager beavers for incompetence. To reach the problem markets, the American financial system needs to diversify institutional forms, expanding the role and scope of informal credit and microcredit without eliminating the vital role banks play in the mainstream. The trouble is, microcredit and informal credit are, relative to banks, still few in number, short of assets, and subject to obsolete laws that curtail their growth.<sup>75</sup> Therefore, the development of a balanced financial system, which better serves the needs of the poor, of women, and of small business, requires structural reform of banking.

## Endnotes

### Chapter 1

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8. Max Weber, *Basic Concepts in Sociology* (New York: Greenwood Press, 1969), 109, 251–52; and H. H. Gerth and C. Wright Mills, *From Max Weber: Essays in Sociology* (New York: Oxford University Press, 1958), 189, 215.
9. For contemporary discussion of the economic role of Jews in Europe, see Hillel J. Kieval, "Mediterranean Minorities and Blood: Is There a Natural Economy of the Ritual Murder Accusation in Europe?," Ch. 8, and Victor Karady, "Jewish Entrepreneurship and Identity under Capitalism and Socialism in Central Europe," in Daniel Chinitz and Anthony Reid, eds., *Essential Outsiders* (Seattle: University of Washington, 1997), 125–52.
10. One might suppose that Jews would welcome the honor of having invented capitalism. However, in Wilhelmian Germany, capitalism was hated on the feudal-landed right wing as well as on the socialist left wing. Therefore, capitalism's inventors would have been obnoxious to many Germans. To blame the Jews for inventing capitalism was, in that political climate, to lay opprobrium at their door, thus bolstering old-fashioned religious anti-Semitism with economic arguments. In point of fact, a generation later, Hitler's left-wing supporters did lay this historical opprobrium at the doorstep of the Jews. In recognition of *The Jews and Modern Capitalism*, Weber's contemporary and intellectual rival, Werner Sombart, received an honorary membership in Hitler's party. See Anthony D. Reid, "Entrepreneurial Minorities, Nationalism, and the State," in Daniel Chinitz and Anthony Reid, eds., *Essential Outsiders*, ch. 2. On the whole controversy, see Karl-

- Stiebert Rehberg, "Das Bild des Judentums in der Frühen Deutschen Soziologie," in Erhard Wirth, eds., *Juden in der Soziologie* (Konstanz: Hartung-Gorre, 1989), 127-73.
11. Edna Bonacich and John Modell, *The Economic Basis of Ethnic Solidarity* (Los Angeles: University of California, 1981), 13.
12. Indeed, as Jane Winn observes, this intellectual climate still persists in development studies. See "Law, Culture, and Development: Relational Contract and the Informal Sector of Taiwan," in *Workshop on Enterprises, Social Relations, and Cultural Practices: Studies of the Chinese Societies* (Taipei: Academia Sinica, 1992).
13. Gerth and Mills, *From Max Weber: Essays in Sociology*, 189. See also Max Weber, *General Economic History* (New Brunswick, NJ: Transaction, 1981), ch. 6.
14. Robert Blauner, *Racial Oppression in America* (New York: Harper & Row, 1972), ch. 2.
15. Edna Bonacich, "A Theory of Middleman Minorities," *American Sociological Review*, 38 (1973), 583-94.
16. Robin Cohen, *Global Diasporas* (Seattle: University of Washington, 1997), 101-4.
17. Reihberg, "Das Bild des Judentums in der Frühen Deutschen Soziologie," 127-73; and Suzanne Modell, "The Economic Progress of European and East Asian Americans," in Norman R. Yerman, ed., *Minority and Minority*, 5th ed. (Boston: Allyn & Bacon, 1991), 292-93.
18. Howard Paul Becker, *Man in Reciprocity* (New York: Praeger, 1956), 225-37.
19. Reid, "Entrepreneurial Minorities, Nationalism, and the State," 39, 58; and Walter Zerner, *Minorities in the Middle* (Albany: State University of New York, 1991), 7.
20. Abner Cohen, *Race and Politics in Urban Africa* (Berkeley and Los Angeles: University of California Press, 1969), 8-9, 14-25.
21. F. Bechofer and B. Elhort, "The Petite Bourgeoisie in Late Capitalism," *Annual Review of Sociology* (1985): 185-86.
22. Clifford Geertz, "The Rotating Credit Association: A 'Middle Range' in Development," *Economic Development and Cultural Change* 10 (1962), 241-63.
23. Ja-Der Luo, "The Significance of Networks in the Initiation of Small Businesses in Taiwan," *Sociological Forum* 12 (1997), 313; Dale W. Adams and M. L. Canaves de Sabonero, "Rotating Savings and Credit Associations in Bolivia," *Savings and Development* 13 (1989), 219-36.
24. Leon Mayhew, "Ascription in Modern Societies," *Sociological Inquiry* 38 (1968), 105-20; Burton Benedict, "Family Firms and Economic Development," *Southeastern Journal of Anthropology* 24 (1968), 1-29; Wayne E. Nafziger, "The Effect of the Nigerian Extended Family on Entrepreneurial Activity," *Economic Development and Cultural Change* 18 (1969), 25-33; Brigitte Berger, "The Culture of Modern Entrepreneurship," in Brigitte Berger, *The Culture of Entrepreneurship* (San Francisco: ICS, 1991), 24.
25. Bonacich, "A Theory of Middleman Minorities," 583-94.
26. Jose Cobas, "Puerto Rican Reactions to Cuban Immigrants: Insights from Trading Minority Entrepreneurs," *Ethnic and Racial Studies* 9 (1986), 535; Ivan Light and Edna Bonacich, *Immigrant Entrepreneurs* (Berkeley and Los Angeles: University of California Press, 1988), 17-20; Howard Altschick and Roger Waldinger, "Ethnicity and Entrepreneurship," *Annual Review of Sociology* 16 (1990), 125.
27. Suzanne Berger defined the "traditional sector" of France and Italy as those groups whose activities involve the production of goods with technologies, costs, capital-labor ratios, and patterns of ownership and management that are significantly different from those used in the production of the same goods by other modern firms. . . . We are above all describing the class of small, independent property owners: farmers, shopkeepers, artisans, and certain small and medium businessmen. . . . See "The Traditional Sector in France and Italy," ch. 4 in Suzanne Berger and Michael Piore, eds., *Dualism and Discontinuity in Industrial Societies* (Cambridge: Cambridge University Press, 1980), 91.
28. Ivan Light and Stavros Karageorgis, "The Ethnic Economy," in Neil Smelser and Richard Swed-Dahlén and *Discontinuity in Industrial Societies* (Cambridge: Cambridge University Press, 1994), 648.
29. Cobas, "Puerto Rican Reactions to Cuban Immigrants: Insights from Trading Minority Entrepreneurs"; David J. O'Brien and Stephen S. Fugita, *Japanese-American Ethnicity: The Persistence of Community* (Seattle: University of Washington Press, 1991), 200; and Zerner, *Minorities in the Middle*.
30. Martin Marger, "East Indians in Small Business: Middleman Minority or Ethnic Enclave?" *New Community* 16 (1990): 551-59.
31. Cobas, "Puerto Rican Reactions to Cuban Immigrants: Insights from Trading Minority Entrepreneurs."
32. Light and Bonacich, *Immigrant Entrepreneurs*, 17-200.
33. Lever-Tracy, David Ip, and Noel Tracy, *The Chinese Diaspora and Mainland China* (New York: St. Martin's, 1996), ch. 14.
34. An intriguing parallel exists between this situation and the emergence of alternative medical therapies that challenge the medical mainstream. No one suggests that the alternative therapies, many derived from traditional remedies, can replace allopathic medicine, the "scientific" mainstream. On the other hand, acupuncture, transcendental meditation, yoga, tai chi chuan, homeopathy, herbals, and other alternative medical systems care selected ailments invulnerable to allopathic intervention while cost-effectively preventing the appearance of disease in other cases. These achievements have brought alternative medicine back into the armamentarium of pragmatic therapists.
35. Booker T. Washington, *The Negro in Business* (New York: Johnson Reprint Co., 1907).
36. W. E. Burchard Dubois, *The Philadelphia Negro* (Philadelphia: University of Pennsylvania Press, 1899).
37. Shelley Green and Paul Pryde, *Black Entrepreneurship in America* (New Brunswick, NJ: Transaction, 1997), 20; and Kellie Jones, "Johnson Publishing, Inc.: A Case of Strategic Development," *Journal of Developmental Entrepreneurship* 2 (1997), 113-14.
38. Robert E. Weems, "Out of the Shadows: Business Enterprise and African American Historiography," *Business and Economic History* 26 (1997): 204.
39. Harold Cruse, *The Crisis of the Negro Intellectual* (New York: William Morrow, 1967), 19.
40. See, for example, Robert L. Woodson, "A Legacy of Entrepreneurship," in Robert L. Woodson, ed., *On the Road to Economic Freedom* (Washington, D.C.: Regency Gateway, 1987), ch. 1.
41. Ivan Light, *Ethnic Enterprise in America* (Berkeley and Los Angeles: University of California Press, 1972), ch. 6; and John Sibley, *Entrepreneurship and Self-Help among Black Americans* (Albany, NY: State University of New York, 1991), chs. 1, 2.
42. Light, *Ethnic Enterprise in America*, ch. 5.
43. "All groups support at least some entrepreneurship; hence, the presence of self-employment does not meaningfully distinguish among them," Suzanne Modell, "Ethnic Economy and Industry in Mid-Twentieth Century Gotham," *Social Problems* 44 (1997): 459.
44. Roger Waldinger, *Still the Promised City?* (Cambridge: Harvard University Press, 1996), 255; and Peter S. Li, "Self-Employment and Its Economic Return for Visible Minorities in Canada," in David M. Saunders, ed., *New Approaches to Employee Management, vol. 2, Discrimination in Employment* (Greenwich, CT: JAI Press Inc, 1994), 182.
45. Steven J. Gold, *Refugee Communities* (Newbury Park, CA: Sage, 1992), 180-81, 194.
46. Bonacich and Modell, *The Economic Basis of Ethnic Solidarity*, 45.
47. Jack Collins, "Cosmopolitan Capitalism: Ethnicity, Gender, and Australian Entrepreneurs," (Ph.D. diss., University of Wollongong, 1998), 1: 4, 72.
48. Sie-Lun Wong, *Emergent Entrepreneurs: Shanghai Industrialists in Hong Kong* (New York: Oxford University Press, 1988).
49. Ivan Light, Georges Sabagh, Mecht Bozorgmehr, and Claudia Der-Martrosian, "Les quatre economies ethniques des immigrants a Los Angeles," *Revue europeenne des migrations internationales* 8 (1992).
50. Luis Guarnizo, *The Mexican Ethnic Economy in Los Angeles: Capitalist Accumulation, Class Restructuring and the Transnationalization of Migration* (Davis, CA: California Communities Program of the University of California, 1998), 10.
51. Light and Karageorgis, "The Ethnic Economy," 647-71.
52. Bonacich and Modell, *The Economic Basis of Ethnic Solidarity*, chs. 12-14.
53. O'Brien and Fugita, *Japanese-American Ethnicity: The Persistence of Community*, chap. 7.



54. Charles Hirschman, "America's Melting Pot Reconsidered," *Annual Review of Sociology* 9 (1983), 397-423.
55. Barbara Lal distinguishes ethnic entrepreneurs, who own businesses, from "ethnic identity entrepreneurs," who promote essentialized versions of ethnic identity out of occupational self-interest. "Ethnic Identity Entrepreneurs: Their Role in Transracial and Intercommunity Adoptions," *Asian and Pacific Migration Journal* 6 (1997), 385-413.
56. Jeffrey G. Reitz, "Ethnic Concentrations in Labour Markets and Their Implications for Ethnic Inequality," in Raymond Aron et al., eds., *Ethnic Groups and Social Inclusion: A Comparative Study of Resources and Constraints in an Urban Setting* (Toronto: University of Toronto Press, 1990), 138-39.
57. Neoliberalists claim that an immigrant economy constrains immigrants' potential for upward mobility by restricting workers to an ethnic business sector. Guarnizo, *The Mexican Ethnic Economy in Los Angeles: Capitalist Accumulation, Class Restriction, and the Transnationalization of Migration*, 3.
58. Jeffrey G. Reitz and Sherrilyn Sklar, "Culture, Race, and the Economic Assimilation of Immigrants," *Sociological Forum* 12 (1997), 269.
59. In fairness to the assimilation model, its predictions are a matter of speed as well as of direction. Conceivably, the assimilation model's predictions will ultimately prove as successful among nonwhites as they already have among whites. However, it will have taken longer to reach this point. See Ivan Light, "Ethnic Succession," in Charles F. Keyes, ed., *Ethnic Change* (Seattle: University of Washington Press, 1981), 68-69.
60. "Data from the 1991 Australian census shows that many non-English-speaking background immigrant groups continue to have a higher relative presence as employers and self-employed than do the Australian-born in the 1990s." High entrepreneurship groups in Australia include those from Korea, Greece, Italy, Germany, Holland, the Czech Republic, Slovakia, Taiwan, and Hungary. Low entrepreneurship groups in Australia include those from Japan, India, Sri Lanka, Vietnam, Indonesia, and Turkey. Average entrepreneurship groups include those from China, Singapore, Malaysia, Egypt, Lebanon, Poland, Ukraine, Yugoslavia, Canada, and the United States. Collins, "Cosmopolitan Capitalism: Ethnicity, Gender, and Australian Entrepreneurs," 1239.
61. Stephen Cadles et al. identify similar but not identical patterns in Australia, another pluralist market society. *The Global Migrant and the Local Settlement: Ethnic Small Business and the Economic Resurgence of Sydney* (Wollongong, Australia: Office of Multicultural Affairs, Dept. of the Prime Minister and Cabinet, by the Centre for Multicultural Studies, University of Wollongong, 1991).
62. Frank Fratze and R. L. Meeks, "Business Participation Rates of the 50 Largest U.S. Ancestry Groups: Preliminary Report," Research Division, Minority Business Development Agency of the U.S. Department of Commerce, 1993; Frank Fratze, "A Sociological Analysis of Minority Business," *Review of Black Political Economy* 15 (1986), 6-29; Teresa A. Sullivan and Stephen D. McCracken, "Black Entrepreneurs: Patterns and Rates of Return to Self-Employment," *National Journal of Sociology* 2 (1988), 167-85; and Constance A. Hoffman and Martin N. Marger, "Patterns of Immigrant Enterprise in Six Metropolitan Areas," *Sociology and Social Research* 75 (1991), 144-57.
63. Morteza H. Ardabili, "The Economic Adaptation of Iranian Immigrants in the Kansas City Metropolitan Area," (Ph.D. diss., University of Kansas, 1986), 116; M. D. R. Evans, "Language Skill, Language Usage, and Opportunity: Immigrants in the Australian Labour Market," *Sociology* 21 (1987), 258; and Monica Boyd, "Family and Personal Networks in International Migration: Recent Developments and New Agendas," *International Migration Review* 23 (1989), 654.
64. Robert T. Averitt, *The Dual Economy: The Dynamics of American Industry Structure* (New York: W.W. Norton, 1968); and Robert M. Jobau, "Ethnic Hegemony and the Japanese of California," *American Sociological Review* 53 (1988), 184-85.
65. Charles Tolbert, Patrick Horan, and E. M. Beck, "The Structure of Economic Segregation: A Dual Approach," *American Journal of Sociology* 85 (1980), 1095-1110.
66. Impossible because, where noncommunicating labor markets exist, employers will hire cheap nonethnic labor in preference to expensive coethnic labor. As this practice spreads, the formerly noncommunicating labor markets merge into a single labor market.
67. Pierre Bourdieu condemns the practice of simplifying economic reality to make it agree with economic theory ("L'essence du neoliberalisme," *Le Monde Diplomatique* March 1998, 3. Available: <http://www.monde-diplomatique.fr/mid/1998/03/BOURDIEU/19167.html>)
68. Teresa A. Sullivan, "Sociological Views of Labor Markets: Some Missed Opportunities and Neglected Dimensions," ch. 12 in Var Berg, ed., *Sociological Perspectives on Labor Markets* (New York: Academic Press, 1981), 342.
69. Alejandro Portes and Robert D. Manning, "The Immigrant Enclave: Theory and Empirical Examples," in Joane Nagel and Susan Olzak, eds., *Competitive Ethnic Relations* (Oxford: Academic Press, 1986), 61.
70. Arthur Sakamoto and Meichu D. Chen, "Further Evidence on Returns to Schooling by Establishment Size," *American Sociological Review* 56 (1991), 765-71; and Don Mar, "Another Look at the Enclave Economy Thesis," *American Journal of Sociology* 17 (1991), 13.
71. Light and Bonacich, *Immigrant Entrepreneurs*, ch. 1.
72. Ivan Light, "Immigrant and Ethnic Enterprise in North America," *Ethnic and Racial Studies* 7 (1984), 195-216.
73. Kenneth L. Wilson and Alejandro Portes, "Immigrant Enclaves: An Analysis of the Labor Market Experiences of Cubans in Miami," *American Journal of Sociology* 86 (1980), 297.
74. Wilson and Portes, "Immigrant Enclaves: An Analysis of the Labor Market Experiences of Cubans in Miami," 297-302.
75. Wilson and Portes, "Immigrant Enclaves: An Analysis of the Labor Market Experiences of Cubans in Miami," 306-7.
76. This was also the *point d'appui* of Thomas Bailey and Roger Waldinger, "Primary, Secondary, and Enclave Labor Markets: A Training Systems Approach," *American Sociological Review* 56 (1991), 432-45.
77. St. Clair Drake and Horace R. Cayton, *Black Metropolis* (New York: Harper & Row, 1962), 430-33.
78. Alejandro Portes, "Modes of Incorporation and Theories of Labor Immigration," in Mary Kriz, Charles Keely, and Silvano Tomasi, eds., *Global Trends in Migration* (New York: Center for Migration Studies, 1981).
79. "Enclaves consist of immigrant groups which concentrate in a distinct spatial location and organize a variety of enterprises serving their own ethnic market and/or the general population. Their basic characteristic is that a significant proportion of the immigrant labor force works in enterprises owned by other immigrants." Portes, "Modes of Incorporation and Theories of Labor Immigration," 290-91.
80. Wilson and Martin redefined Portes's concept of enclave economy. In order to permit intergroup comparisons, they developed an input-output model that permitted estimation of the extent to which vertical integration of firms permitted an enclave economy to capture spending. Although no one has subsequently followed up this line of research, their emphasis upon compact interdependence did become a permanent feature of the enclave literature. See Kenneth Wilson and W. Allen Martin, "Ethnic Enclaves: A Comparison of the Cuban and Black Economies in Miami," *American Journal of Sociology* 88 (1982), 135-60.
81. Alejandro Portes and Robert L. Bach, *Latin Journey* (Berkeley and Los Angeles: University of California Press, 1985), 203.
82. Portes, "Modes of Incorporation and Theories of Labor Immigration."
83. Portes and Bach, *Latin Journey*, 217.
84. Portes and Bach, *Latin Journey*, ch. 7.
85. Portes and Bach, *Latin Journey*, 187, 193.
86. Portes and Bach, *Latin Journey*, 268.
87. Portes and Bach, *Latin Journey*, 370.
88. Niles H. Hansen and Gilberto C. Cardenas, "Immigrant and Native Ethnic Enterprises in Mexi-

- can American Neighborhoods: Differing Perceptions of Mexican Immigrant Workers," *Immigrant Migration Review* 22 (1988), 226-42.
89. Wilson and Portes, "Immigrant Enclaves: An Analysis of the Labor Market Experiences of Cubans in Miami," 301-2.
90. Wilson and Martin, "Ethnic Enclaves: A Comparison of the Cuban and Black Economies in Miami," 138.
91. Wilson and Martin, "Ethnic Enclaves: A Comparison of the Cuban and Black Economies in Miami," 154; Portes and Bach, *Latin Journey*, 267-68.
92. Ivan Light et al., "Beyond the ethnic enclave economy," *Sociological Quarterly* 33 (1992), 63-82; Mar, "Another Look at the Enclave Economy Thesis"; Robert M. Al-Suzane Model, "The Ethnic Economy: Cubans and Chinese Reconsidered," *Sociological Quarterly* 33 (1992), 63-82; Mar, "Another Look at the Enclave Economy Thesis"; Eva Morawska, "The Sociology and History of Immigration," in Virginia Yans McLaughlin, ed., *Immigration Reconsidered: History, Sociology, and Politics* (New York: Oxford University Press, 1990), 202; Cobas, *Puerto Rican Reactions to Cuban Immigrants: Insights from Trading Minority Interpretations*; John R. Logan, Richard D. Alba, and Thomas L. McNulty, "Ethnic Economies in Metropolitan Regions: Miami and Beyond," *Social Forces* 72 (1994), 693.
93. Gerard Cebs, "L'entrepreneuriat et les hantiers de Montréal" (master's thesis, Université de Montréal, 1991), 122.
94. Logan, Alba, and McNulty, "Ethnic Economies in Metropolitan Regions: Miami and Beyond," 71. This is also true of Italians in Kansas City, Morzeza H. Ardabili, "The Economic Adaptation of Iranian Immigrants in the Kansas City Metropolitan Area," 190.
95. Neil J. Smelser writes that "like all markets, the market for entrepreneurial services has a demand and a supply side," *The Sociology of Economic Life*, 2d ed. (Englewood Cliffs, NJ: Prentice-Hall, 1976), 126.
96. These issues are discussed in greater detail in Ivan Light and Carolyn Rosenstein, *Race, Ethnicity and Entrepreneurship in Urban America* (New York: Aldine de Gruyter, 1995), 73-80, 115-21.
97. Roger Waldinger, Robin Ward, and Howard Aldrich, "Trend Report: Ethnic Business and Occupational Mobility in Advanced Societies," *Sociology* 19 (1985), 589.
98. Roger Waldinger, Robin Ward and Howard Aldrich, "Trend Report: Ethnic Business and Occupational Mobility in Advanced Societies," 32.
99. "We emphasize the fit between immigrant firms and the environments in which they function, including not only economic and social conditions but also the unique historical conditions encountered at the time of immigration," Waldinger, Ward, and Aldrich, "Trend Report: Ethnic Business and Occupational Mobility in Advanced Societies," 32.
100. Gaye Tuchman and Harry Gene Levine, "New York Jews and Chinese Food: The Social Construction of an Ethnic Pattern," *Journal of Contemporary Ethnography* 22 (1993), 397.
101. See Eran Razin, "Immigrant Entrepreneurs in Israel, Canada, and California," ch. 5 in Ivan Light and Parvinder Bhachu, eds., *Immigration and Entrepreneurship* (New Brunswick: Transaction, 1993), 101; Eran Razin, "Entrepreneurship among Foreign Immigrants in the Los Angeles and San Francisco Metropolitan Regions," *Urban Geography* 9 (1988), 283-301; Paul Ong, "An Ethnic Trade: Chinese Laundries in Early California," *Journal of Ethnic Studies* 8 (1981), 95-113.
102. Howard Aldrich, Trevor P. Jones, and David McEvoy, "Ethnic Advantage and Minority Businesses Development," in Robin Ward and Richard Jenkins, eds., *Ethnic Communities in Business* (New York: Cambridge University Press, 1984), ch. 11.
103. Aldrich, Jones, and McEvoy, "Ethnic Advantage and Minority Businesses Development," 205.
104. Of course, one might dispute the sweeping conclusion on other grounds. First, it is incompatible with the textbook claim that supply and demand resources always interact to produce entrepreneurship. Second, the researchers did not examine demographic or class resources on the supply side, nor did they look into metropolitan communities of rank. These supply issues
- might have required a modification of their lopsided conclusion, a contradiction to the textbook model, that only demand-side influences affected entrepreneurship in the British cities.
106. Roger D. Waldinger, *Through the Eye of the Needle* (New York: New York University, 1986), chs. 1, 4.
107. Thomas R. Bailey's study of New York City's restaurant industry encountered the same problem. *Immigrant and Native Workers* (Boulder: Westview Press, 1987), 22.
108. Given his design, Waldinger could not explain why, on the supply side, immigrant groups other than Dominicans and Chinese were not drawn into the garment industry, nor, on the demand side, whether other New York City industries did not offer more or equally favorable demand opportunities to Dominicans and Chinese.
109. Light and Rosenstein, *Race, Ethnicity, and Entrepreneurship in Urban America*.
110. Light and Rosenstein, *Race, Ethnicity, and Entrepreneurship in Urban America*, 93.
111. Eran Razin and Ivan Light, "Ethnic Entrepreneurs in America's Largest Metropolitan Areas," *Urban Affairs Review* 33 (1998): 332-60.
112. Jeffrey G. Reitz, *The Survival of Ethnic Groups* (Toronto: McGraw-Hill, 1980).
113. Robin Ward, "Ethnic Entrepreneurs in Britain and Europe," in Robert Goëffé and Richard Sease, eds., *Entrepreneurship in Europe* (London: Croom Helm, 1987), ch. 6.
114. Robert M. Joba, *Ethnicity and Assimilation* (Albany: State University of New York, 1988), 223.
115. Min Zhou and John R. Logan, "Return on Human Capital in Ethnic Enclaves: New York City's Chinatown," *American Sociological Review* 54 (1989), 809-20.
116. Suzanne Model, "The Ethnic Economy: Cubans and Chinese Reconsidered," *Sociological Quarterly* 33 (1992), 63-82.
117. Logan, Alba, and McNulty, "Ethnic Economies in Metropolitan Regions: Miami and Beyond," 693.
118. "An ethnic economy could be defined as any situation where common ethnicity provides an economic advantage: in relations among owners in the same or complementary business sectors, between owners and workers, or even among workers in the same firm or industry regardless of the owner's ethnicity," Logan, Alba, and McNulty, "Ethnic Economies in Metropolitan Regions: Miami and Beyond," 693.
119. Timothy Bates, "Why Are Firms Owned by Asian Immigrants Lagging Behind Black-Owned Businesses?," *National Journal of Sociology* 10 (1996), 28; and Timothy Bates, *Race, Self-Employment, and Upward Mobility* (Baltimore: Johns Hopkins University Press, 1997), 104-5.
120. "I have argued that ethnicity has an external effect on the human-capital accumulation process," George J. Borjas, "Ethnicity, Neighborhoods, and Human-Capital Externalities," *American Economic Review* 85 (1995), 365. See also Thomas Sowell, *Race and Culture* (New York: Basic, 1994), ch. 4; and Gary S. Becker, *Accounting for Tastes* (Cambridge: Harvard University Press, 1996), 16.
121. The data Bates presents do not, however, support his theoretical generalization. "Blacks and Hispanics are significantly less likely than whites to enter self-employment, controlling for other factors. The other factors . . . are educational background, household wealth, work experience, age, gender, and marital status," *Race, Self-Employment, and Upward Mobility*, 31.
122. Peter S. Li, "Self-Employment and Its Economic Return for Visible Minorities in Canada," in David M. Saunders, ed., *New Approaches to Employee Management, Volume 2: Distribution in Employment* (Greenwich, CT: JAI Press Inc., 1994), 189.
123. Light and Bonacich, *Immigrant Entrepreneurs*, 197.
124. Dennis P. Clark, "The Expansion of the Public Sector and Irish Economic Development," in Scott Cummings, ed., *Self-Help in Urban America* (Washington, NY: Kennikat Press, 1980).
125. On nepotism at work, see Margaret Greco, "Family Networks and the Closure of Employment," in Gloria Lee and Ray Lovelidge, eds., *The Manufacture of Disadvantage* (Milton Keynes: Open University Press, 1987).

128. Thomas Kessler, *The Golden Poor: Italian and Jewish Mobility in New York City, 1880-1915* (New York: Oxford University Press, 1977); and Suzanne Model, "Ethnic Bonds in the Workplace: Blacks, Italians and Jews in New York City" (Ph.D. diss., University of Michigan, 1985).
129. Waldinger, *Still the Promised City?*, 302.
130. John Logan finds the same process at work in the private economy of New York City, 1920-1960, where white ethnics consciously built upon social networks to "find jobs, to attempt to control access to those jobs, to set up privileged relationships with suppliers and clients of the business firms, to pool capital, and to do all the other things that affect success of failure in the economy." "White Ethnics in the New York Economy, 1920-1960," *Honking Paper* 112 (New York: Russell Sage Foundation, 1997), 42.
131. Alejandro Portes, "Social Capital: Its Origins and Applications in Modern Sociology," *Annual Review of Sociology* 24 (1998): 13.
132. Waldinger, *Still the Promised City?*, 4.
133. Judy Scully, "A Seige Irish Identity—an Example of Symbolic Power," *New Community* 23 (1997), 385-98.
134. "The results show that, for both white and black youths, the most frequently used methods of search are checking with friends and relatives and direct application without referrals. These are also the two most productive methods." Harry J. Holzer, "Informal Job Search and Black Youth Unemployment," *American Economic Review* 77 (1987), 446.
135. Logan, "White Ethnics in the New York Economy, 1920-1960," 43.
136. Stanley Lieberstein and Mary C. Waters, *From Many Strands: Ethnic and Racial Groups in Contemporary America* (New York: Russell Sage, 1988), 127; see also Nathan Glazer and Daniel P. Moynihan, *Beyond the Melting Pot*, 2d ed. (Cambridge: MIT Press, 1970).
137. Robert L. Boyd, "Differences in the Earnings of Black Workers in the Private and Public Sectors," *The Social Science Journal* 30 (1993-1994), 409-429.
138. Robert L. Boyd, "A Contextual Analysis of Black Self-Employment in Large Metropolitan Areas, 1970-1980," *Social Forces* 70 (1991), 413.
139. In many cases, owners prefer to abdicate responsibility for hiring to employees, who perform for free a service the employers would otherwise have to administer at their own cost. The Bank of America's check cashing facility on Figueroa Street in Los Angeles once hired only Cubans on its second floor. The reason: the Cubans were good workers, and they assumed the responsibility for finding a replacement when any coethnic retired or quit.
140. Noah Levin-Epstein and Moshe Semyonov, "Sheltered Labor Markets, Public Sector Employment, and Socioeconomic Returns to Education of Arabs in Israel," *American Journal of Sociology* 100 (1994), 622-51.
141. Edna Bonacich, "Making It in America," *Sociological Perspectives* 30 (1987), 459.
142. Roger Waldinger, "Ethnicity and Opportunity in the Plural City," in Roger Waldinger and Melchí Borzogniehi, eds., *Ethnic Los Angeles* (New York: Russell Sage, 1996), 449-51.
143. Our distinction recreates the same ownership vs. control terminology that Barle and Means (1967) utilized to discuss the modern corporation. However, the overlap in which ethnic groups not discussing ownership vs. control of corporations, but the manner in which ethnic groups extend their influence over whole economies. See Maurice Zeitlin, *The Large Corporation and Contemporary Classes* (New Brunswick, NJ: Rutgers University, 1989), chs. 1, 2.
144. Patricia G. Greene, "A Call for Conceptual Clarity," *National Journal of Sociology* 10 (1996), 50.
145. Light, "Ethnic Succession."
146. Waldinger uses the term *unregulatory closure* to designate coethnics' ability to exclude outsiders from hiring. The term *ethnic-controlled economy* includes this function, but also includes the ability of coethnic employees to feather their own nest in other ways. See Roger Waldinger, "Social Capital or Social Closure? Immigrant Networks in the Labor Market," Working Paper Number 26 of the Lewis Center for Regional and Policy Studies, School of Public Policy and Social Research, University of California, Los Angeles, 1997.
147. "The nodal labor market experience of immigrants is not in the ethnic economy nor the ethnic enclave economy, but in the open mainstream economy," Richard Alba and Victor Nee, "The Assimilation of Immigrant Groups: Concept Theory, and Evidence," Paper presented at the Conference on Becoming American/America Becoming: International Migration to the United States, sponsored by the Social Science Research Council, January 18-21, 1996, 71.
148. Light, "Self-Employment and the Economic Return for Visible Minorities in Canada," 194-95.
149. Light, "Ethnic Succession," 79.

## Chapter 2

- If 2 Tibetans live in Wausau, and one works in the other's business, then the Tibetan ethnic ownership economy would occupy one hundred percent of the Tibetans. This uniformity could not arise if 100,000 Tibetans lived in Wausau.
- Edna Bonacich and John Modell, *The Economic Basis of Ethnic Solidarity* (Los Angeles: University of California Press, 1980), Table 3-1.
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