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ETHNICITY AND ENTREPRENEURSHIP

Howard E. Aldrich

Department of Sociology, University of North Carolina, Chapel Hill, North Carolina 27599

Roger Waldinger

Department of Sociology, The City College, City University of New York, New York 10031, and Graduate School, City University of New York, New York 10036

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Abstract

We examine various approaches to explaining ethnic enterprise, using a framework based on three dimensions: an ethnic group's access to opportunities, the characteristics of a group, and emergent strategies. A common theme pervades research on ethnic business: Ethnic groups adapt to the resources made available by their environments, which vary substantially across societies and over time. Four issues emerge as requiring greater attention: the reciprocal relation between ethnicity and entrepreneurship, more careful use of ethnic labels and categories in research, a need for more multigroup, comparative research, and more process-oriented research designs.

INTRODUCTION

The growth of new ethnic populations in Europe since 1945 as well as new waves of immigrants to the United States after the 1965 reform of immigration laws has made ethnic enterprise a topic of international concern. The new ethnic populations are growing at a time of restructuring in western econo-

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mies, and large numbers of immigrant and ethnic minorities find themselves caught in the conjuncture of changing conditions. Members of some groups have entered business ownership in numbers disproportionate to their group's size, whereas others have shunned entrepreneurial activities.

In this chapter, we present a general framework within which the contributions of various approaches to explaining ethnic enterprise can be understood. The framework we propose is based on ethnic groups' access to opportunities, group characteristics, and emergent strategies, all of which are embedded within changing historical conditions. Within this framework, we review the concepts and research findings of the past several decades.

Focus of Our Review

"Ethnic" is an adjective that refers to differences between categories of people (Petersen 1980). When "ethnic" is linked to "group," it implies that members have some awareness of group membership and a common origin and culture, or that others think of them as having these attributes (Yinger 1985). We assume that what is "ethnic" about ethnic enterprise may be no more than a set of connections and regular patterns of interaction among people sharing common national background or migratory experiences. We emphasize the subcultural dimension of ethnicity—the social structures through which members of an ethnic group are attached to one another and the ways in which those social structures are used.

Entrepreneurship, in the classic sense, is the combining of resources in novel ways so as to create something of value. Much of the recent management literature on entrepreneurship focuses on business foundings, but the term has been expanded in the past few decades and used to encompass nearly all stages in the life cycle of businesses (Bird 1989). The entrepreneurial dimensions of *innovation* and *risk* are particularly salient when we examine ethnic businesses. Rather than breaking new ground in products, process, or administrative form, most businesses simply replicate and reproduce old forms. Simple reproduction is especially likely in the retail and services sector, where most ethnic enterprises are founded. Risks, however, are high for most businesses, regardless of whether they are innovative (Aldrich & Auster 1986). Liabilities of newness and smallness affect all businesses, ethnic or not.

Many writers have suggested making a distinction between entrepreneurs and owner/managers on the basis of either innovativeness or risk, but few have done a convincing job. Neither economists (Baumol 1968:66) nor sociologists (Wilken 1979:60) have been able to operationalize this distinction so that "entrepreneurs" are clearly differentiated from "owners" or even the self-employed. Therefore, in our review we follow the lead set by anthropologists and define entrepreneurs operationally as owners and operators

of business enterprises (Greenfield et al 1979). This definition includes self-employed persons who employ family labor as well as those who employ outsiders.

Our review is based on the observation that some ethnic groups, particularly among first and second generation immigrants, have higher rates of business formation and ownership than do others. The historical record shows considerable disparities in self-employment among the various European ethnic groups in the United States; business participation rates are no less varied among contemporary immigrants in the United States and Europe today. To the extent that higher levels of entrepreneurship cannot be explained solely by the personal characteristics of owners, then we must turn to social structural and cultural conditions for an explanation.

Limitations of Current Research

What empirical research is available on which to build sound, cross-national, historically valid generalizations? Ideally, we would like information on multiple groups, spanning long periods, and from many different societies. Such information should include individual, group, and social context characteristics, with explicit attention paid to replicating and building on previous research.

In practice, information on ethnic enterprise comes from three sources: government censuses, survey research, and field studies. Using government census data is complicated because of political sensitivities over "ethnic origin" questions in government-sponsored information acquisition. Major controversy has erupted, for example, in Great Britain and West Germany in the past decade over whether such questions should be included, and if so, in what form. In the United States, unlike other industrialized nations, the government has maintained a *Survey of Minority and Women-Owned Businesses,* conducted every five years for the past two decades. That source is limited because the sociological definition of "ethnic business"—a business whose proprietor has a distinctive group attachment by virtue of self-definition or ascription by others—is more encompassing than the official definition of "minorities," which includes only black, Hispanic, Asian, and Native American groups.

The decennial Census of Population has been a fertile source of data on this wider range of ethnic entrepreneurial groups (Light & Sanchez 1987), especially with the addition of the ancestry item to the 1980 Census (Fratoe 1986, Lieberson & Waters 1988). However, the US Census has a major drawback—by law, the Census Bureau is forbidden to ask questions about religion. Thus, there are no official statistics about religio-ethnic groups—Jews, Muslims, and so forth—that are significant for the understanding of ethnic business. The Canadian census, which asks questions about religion and ethnic status, is a richer source, although it is rarely exploited for this purpose.

With these limitations in mind, many researchers have turned to community surveys and intensive case studies for in-depth information on specific groups. Investigators studying lengthy historical periods are forced to rely on incomplete and inconsistent information, or to draw dynamic inferences from cross-sectional surveys which include multiple generations of a group (Bonacich & Modell 1980). Survey research has provided valuable information, but as in other areas of sociology, the individual becomes de facto the unit of analysis, and the social context for behavior is lost.

A FRAMEWORK FOR UNDERSTANDING ETHNIC ENTREPRENEURSHIP

Our framework for understanding ethnic business development is built on three interactive components: opportunity structures, group characteristics, and strategies (Waldinger et al 1990). *Opportunity structures* consist of market conditions which may favor products or services oriented to co-ethnics, and situations in which a wider, non-ethnic market is served. Opportunity structures also include the ease with which access to business opportunities is obtained, and access is highly dependent on the level of interethnic competition and state policies. *Group characteristics* include predisposing factors such as selective migration, culture, and aspiration levels. They also include the possibilities of resource mobilization, and ethnic social networks, general organizing capacity, and government policies that constrain or facilitate resource acquisition. Ethnic *strategies* emerge from the interaction of opportunities and group characteristics, as ethnic groups adapt to their environments.

Opportunity Structures

The structure and allocation of opportunities open to potential ethnic business owners have been shaped by historically contingent circumstances. Groups can only work with the resources made available to them by their environments, and the structure of opportunities is constantly changing in modern industrial societies. Market conditions may favor only businesses serving an ethnic community's needs, in which case entrepreneurial opportunities are limited. Or, market conditions may favor smaller enterprises serving non-ethnic populations, in which case opportunities are much greater. Even if market conditions are favorable, immigrant minorities must gain access to businesses, and non-ethnic group members often control such access. Political factors may impede, or less frequently, enhance, the workings of business markets.

MARKET CONDITIONS As the world economic system has evolved, opportunity structures have changed and immigrant ethnic groups have found themselves facing very different market conditions. Markets in some business sectors have opened, whereas others have closed. In almost all markets, small businesses—once thought headed for inexorable decline—have shown remarkable resiliency and continue to attract new owners. Many immigrants and their children have turned to small business enterprise, some in new ethnic enclaves and others in businesses serving a wider market.

Ethnic consumer products For a business to arise, there must be some demand for the services it offers. The "protected market hypothesis" (Light 1972) posits that the initial market for ethnic entrepreneurs typically arises within the ethnic community itself. If ethnic communities have special sets of needs and preferences that are best served by those who share those needs and know them intimately, then ethnic entrepreneurs have an advantage. Servicing these special ethnic consumer needs involves a direct connection with the immigrants' homeland and knowledge of tastes and buying preferences—qualities unlikely to be shared by larger, native-owned competitors (Aldrich et al 1985).

Immigrants also have special problems caused by the strains of settlement and assimilation and aggravated by their distance from governmental mechanisms of service delivery. Consequently, the business of specializing in the problems of immigrant adjustment is another early avenue of economic activity. Ethnic consumer tastes provide a protected market position, in part because the members of the community may have a cultural preference for dealing with co-ethnics, and in part because the costs of learning the specific wants and tastes of the immigrant groups discourage native firms from doing so, especially at an early stage when the community is small and not readily visible to outsiders.

Ethnic residential concentration has provided a strong consumer core for many ethnic entrepreneurs, especially for immigrant groups in the early decades of their settlement in their host country. Patterns of chain migration and majority group discrimination lead to the build-up of ethnic residential areas, presenting ethnic entrepreneurs with a captive market, thus adding a second meaning to the phrase "protected market" (Aldrich et al 1985). The initial clustering of migrants in cities has often led to long-term concentrations, facilitating recruitment networks for ethnic suppliers and workers.

If ethnic businesses remain limited to the ethnic market, their potential for growth is sharply circumscribed (Aldrich et al 1983, Mohl 1985). The obstacle to growth is the ethnic market itself, which can support only a restricted number of businesses because it is quantitatively small and because the ethnic population is often too impoverished to generate buying power sufficient to fuel growth. Moreover, the environment confronting the ethnic entrepreneur is severe: Because exclusion from job opportunities leads many immigrants to seek out business opportunities, business conditions in the ethnic market tend toward proliferation of small units, intense competition, and a high failure rate, with the surviving businesses generating scanty returns for their owners.

However, under some conditions, ethnic markets may serve as an export platform from which ethnic firms may expand. One case in point is the experience of Cuban refugees in Miami, Florida (Portes 1987). The early refugees converged on a depressed area in the central city, where housing costs were low and low-rent vacant space was available. As the refugee population grew, and the customer base expanded, retail businesses proliferated (Mohl 1985). The availability of a near-by, low-cost labor force, linked together through informal networks, enabled Cuban entrepreneurs to branch out into other industries, such as garments and construction, where they secured a non-ethnic clientele. Once in place, these "export industries" served as a base for additional expansion of the ethnic economy: the export industries generated a surplus that trickled down to merchants serving the local, specialized needs of the Cuban communities. The export industries also enabled ethnic entrepreneurs to diversify, by moving backward or forward into related industries. The vibrant Cuban ethnic economy has turned Miami into a center for investments from Latin America as well as an entrepot for trade with that area, and Cuban entrepreneurs have been able to move into more sophisticated and higher profit fields (Levine 1985).

This example notwithstanding, we note that the growth potential of immigrant business hinges on its access to customers beyond the ethnic community. The crucial question, then, concerns the types of economic environments that might support neophyte immigrant entrepreneurs.

Non-ethnic markets The structure of industry—number of businesses, capital and technological requirements—is a powerful constraint on the creation of new businesses. New firms are unlikely to arise in industries characterized by extensive scale economies and high entry costs. However, most western economies contain niches where techniques of mass production or mass distribution do *not* prevail. Researchers have identified four circumstances under which small ethnic enterprises can grow in the open market: underserved or abandoned markets, markets characterized by low economies of scale, markets with unstable or uncertain demand, and markets for exotic goods.

One such niche consists of *markets that are underserved* by the large, mass-marketing organizations. In the United States and some Western European nations, immigrants are heavily concentrated in the core areas of urban centers that are both ill-suited to the technological and organizational conditions of large enterprise *and* favorable to small enterprises. In Paris, London, New York, and Los Angeles, the core urban market is increasingly abandoned by the large food retailers, leaving a substantial consumer base for small local immigrant vendors.

Markets where *economies of scale* are low are another fertile field for immigrant business. In the absence of capital-intensive, high-volume competitors, small immigrant shopkeepers in urban cores can successfully pursue a strategy of self-exploitation. As Ma Mung & Guillon (1986) observed, the immigrant-owned neighborhood shops of Paris offer the same products as their French counterparts, but provide different services: longer hours, year-round operation, easily available credit, and sales of very small quantities.

A niche for immigrant firms also arises in markets affected by *instability or uncertainty*. When demand falls into stable and unstable portions, and the two components can be separated from one another, industries may be segmented into noncompeting branches (Piore 1980): one branch is dominated by larger firms, handling staple products; a second, composed of small-scale firms, caters to the unpredictable and/or fluctuating portion of demand. Immigrant garment firms—a ubiquitous presence in many of the major immigrant-receiving cities in the west—thrive on the availability of short-run products that larger firms cannot handle effectively (Morokvasic et al 1990).

A final niche in the general market arises where the demand for *exotic goods* among the native population allows immigrants to convert both the contents and symbols of ethnicity into profit-making commodities. Selling exotic goods and services offers a fruitful path of business expansion because immigrants have a special product that only they can supply or present in conditions that are seemingly authentic (Palmer 1984). Not only do immigrants lack competitors in "exotic markets," but they can also offer their products at relatively low prices and thereby capture a clientele priced out of the businesses run by native entrepreneurs (Ma Mung & Guillon 1986).

Market conditions, then, may be supportive of ethnic businesses either because ethnic owners enjoy a protected market position or because the environment is supportive of any neophyte capitalist willing to take higher than normal risks (abandoned markets, low economies of scale, and unstable demand). In this latter sense, ethnic owners truly are entrepreneurs, as they assume high risks under uncertain conditions.

ACCESS TO OWNERSHIP Given the existence of markets, potential ethnic entrepreneurs still need access to ownership positions. Two conditions affecting access have been identified: (*a*) the level of interethnic competition for jobs and businesses; and (*b*) state policies, which have varied considerably among traditional, colonial, nation-building, and modern nation states.

Interethnic competition for vacancies The likelihood of entering a supportive business niche is greatly affected by the level and nature of interethnic competition for jobs and business opportunities. Competition may be direct, in which case immigrants or ethnic minorities are likely to lose access to desirable markets, or it may be mediated through processes of residential and occupational succession, in which case vacancies open up in a predictable and patterned way.

Research has found two outcomes of direct interethnic competition over business opportunities: (*a*) when the competition is high, ethnic groups concentrate in a limited range of industries, and (*b*) at very high levels of competition, a group may be forced out of more lucrative activities, and either squeezed into interstitial lines or pushed out of business altogether.

Two natural experiments, one involving Japanese and the other Chinese, document the power of interethnic competition and state policies. First, severe competition with whites in Canada in the late nineteenth and early twentieth centuries led to the almost complete exclusion of Japanese from major social institutions (Makabe 1981). For example, when the Canadian government took away their right to vote, they lost access to the professions. In Brazil early in this century, the lack of notable interethnic competition meant that discrimination and exclusion movements did not materialize, and the Japanese successfully entered a number of industries. Aided by the Japanese government's friendly relations with Brazil, the Japanese developed important social and financial skills. Second, consider the contrasting experience of the Chinese, originating from the same province, who settled in Lima, Peru, and New York City in the early twentieth century. According to Wong (1978), the level of discrimination was much higher in the United States than Peru. For example, the US Chinese Exclusion Act of 1882 was not repealed until 1943, and US miscegenation laws were not overturned by the Supreme Court until 1967. By contrast, Peru placed few barriers in the way of Chinese immigration and had no miscegenation laws, facilitating a very high intermarriage rate. Unlike the New York Chinese, who were heavily concentrated in a few industries in Chinatown, the Chinese in Lima were involved in a wide range of businesses. The associational structure of the Chinese community in Peru was weak because it was not forced to contend with the same level of interethnic competition as its counterparts in New York, where ethnic identity was a salient issue for immigrants.

These contrasts draw attention to the relationship between context and group responses. In general, economic exclusion strengthens group cohesion, thereby increasing the density of ethnic networks, and in turn, increasing access to group resources. Similarly, labor market disadvantage affects predispositions toward business opportunities. These issues are further developed when we discuss group characteristics.

Interethnic competition may not only determine the range of accessible economic activities, but may also lead to expulsion or displacement from more valued niches. In these instances, dominant group members may follow strategies of social closure to reduce minorities' access to business or labor markets (Parkin 1979). Because ethnic monopolies are costly to some component of the dominant group population—whether employers, workers, or customers—recourse to state intervention is often sought.

Chinese immigrants to California in the nineteenth century encountered fierce competition from whites. In California, after the decline of mining in the late 1860s, Chinese workers went back to the cities, where they tried to enter the construction, manufacturing, and other better paying sectors. "Prompted by the leaders of the nascent unions and by political demagogues, white workers undertook a virulent and eventually successful campaign to drive 'the coolies' out. . . ." leaving the Chinese the laundry business and precious little else (Ong 1981:100).

The impact of competition was more severe on blacks than on Chinese in the United States (Lieberson 1980). Black businesses grew slowly after the abolition of slavery, initially developing in such lines as catering, tailoring, and barbering, following the patterns established prior to 1863. These businesses were mainly the province of a small mulatto elite who depended on connections to a white clientele. By the late 1800s, increased desire among whites for both physical and social distance from blacks, combined with greater competition from immigrants, pushed blacks out of their traditional trades and back into serving mostly black customers (Aldrich 1973).

Theories of *residential segregation and succession* point to forces *reducing* interethnic competition for business vacancies, although we recognize that segregation itself reflects a dominant group's success in insulating itself from a minority group. At the neighborhood level, replacement opportunities for immigrant owners selling to their co-ethnic neighbors emerge as a result of ecological succession. As the native group in a residential area no longer replaces itself, native entrepreneurs seek business opportunities outside the local area. Given a naturally high rate of failure among all small businesses, the absence of members from the older established group willing to open new firms in "changed" neighborhoods creates vacancies for potential immigrant business owners (Aldrich & Reiss 1976, Aldrich et al 1989).

Finally, we note that the classic pattern of *occupational succession*, observed in other areas of the labor market, also affects access to opportunities for ethnic entrepreneurs. In the general economy, the petite bourgeoisie often does not reproduce itself, but rather survives through the recruitment of owners from lower social classes (Bechhofer & Elliot 1981). To some extent, it is the very marginality of the small business position that discourages heirs from taking up their parents' modest enterprises (Berteaux & Berteaux-Wiame 1981).

In the central cities of the United States, where small business has been concentrated among European immigrants and their descendants, the changing social structure of Italian, Jewish, and other European ancestry groups has further diminished the allure of petty enterprise. As these native groups have faltered in their recruitment to small business, their share of the small business sector has inevitably declined, in part because of the high death rate to which all small businesses are prone. The exodus of Jewish or Italian petty merchants has provided replacement opportunities for Korean, Chinese, or Arab businessowners, who depend almost entirely on a non-ethnic clientele (Kim 1981).

Currently, indirect competition appears to characterize the relationship between immigrant entrepreneurs and members of dominant ethnic groups in most industrial societies. While occupational succession leads immigrants to move into positions vacated by whites, those same businesses are often coveted by members of nondominant ethnic groups. Thus, in the United States, interethnic competition among nondominant ethnic groups is an increasingly common phenomenon, as in black-Korean conflict (Kim 1987, Light & Bonacich 1988).

State policies Elite sponsorship of middleman minorities is a characteristic of traditional, state-building, and colonial situations. The roles of Greeks and Armenians in the Ottoman Empire, and German and Jewish capitalists in tsarist Russia (Armstrong 1976), exemplify the traditional and state-building contexts: in these instances, middleman minorities were valued for their skills, and for their network of family and personal relations, which facilitated long-distance communications and transactions and thereby increased access to capital. In Southeast Asia and Africa, similar conditions led to the growth of Indian and Chinese trading networks (Curtin 1984), whose role was later transformed and enlarged by the integration of these areas into the European world economy (Yambert 1981).

Sociological accounts often emphasize that sponsoring elites benefit from the vulnerability of middleman minorities (Stone 1985), but middleman minorities are not necessarily easily dispatched. Though made in a Third World context, the argument that "business rivals are a prerequisite for business rivalries" (Horowitz 1985:116) holds for Europe as well: middleman minorities have hung on where they retain sufficient value to the dominant elite, where indigenous challengers are relatively few in number, and where the extraterritorial dimension of the middleman diaspora does not pose a political threat.

When these conditions no longer hold, the mobilization of lower strata of the dominant ethnic group upsets the alliance between middleman and dominant groups, especially under conditions of late and uneven modernization (Armstrong 1976). Thus, state sponsorship of middleman minorities has often been succeeded by policies designed to replace middlemen by indigenous capitalists. The interwar years in Europe saw numerous such cases, as when Polish government policies in the 1930s worked to benefit Poles at the expense of all other minorities (Goldscheider & Zuckerman 1984). Similar actions have been taken by newly independent states in the Third World.

Analytically, the concept of middleman minorities does not fit modern, multiethnic nation states, as the greater separation—or perhaps the more subtle and indirect linkages—of political and economic power in the United States and other capitalist countries limits the possibility of direct elite sponsorship (Jain 1988, Kashima 1982). Nonetheless, there is a close *descriptive* parallel between the classic middleman minorities and those contemporary ethnic groups—Koreans in the United States, East Indians in Britain, Moroccans in France—whose businesses are principally dependent on commercial transactions with out-group members. As noted, these latter opportunities arise as the consequence of occupational succession, and recent research has not provided evidence that these new immigrant entrepreneurs have significantly benefitted from elite sponsorship. Consequently, we propose the term "pseudo-middleman minorities" to distinguish contemporary ethnic groups that specialize in trade from the classic middleman of earlier periods.

Presently, the main impact of government policies on ethnic entrepreneurship in North America, Australia, and western Europe is *indirect*, derivative of broader immigration and labor market policies. A basic distinction can be made between countries in which labor recruitment was the dominant factor in immigration policy and countries in which other objectives—population growth, family reunification—have had higher priority. In the first instance, immigrants are subject to a high level of labor market control, which hinders rather than encourages immigrant entrepreneurship (Blaschke et al 1990). In Germany, for example, immigrant workers cannot open a business until they have obtained a residence permit, which they may only receive after more than eight years of labor migrant status in the country. By comparison, immigration countries, like the United States, place virtually no formal barriers to immigrant geographical or economic mobility and thereby increase the potential immigrant business start-up rate.

All western societies also maintain policies that implicitly *impede* ethnic business development. Policies that regulate business and labor markets, through licensing and apprenticeship requirements, health standards, minimum wage laws and the like, raise the costs of entry and operation for small firms—ethnic or not. The impact of these policies is most severe in countries like Germany and the Netherlands, where the small business sector continues to bear the imprint of its traditional artisanal, or guild-like past. In other countries, such as the United States, restraints on commercial competition are weak and apprenticeship requirements lax, with the result that ethnic entrepreneurs can more easily move into supportive markets.

Less significant than these indirect policy effects are those programs designed to provide economic assistance to immigrants and ethnic minorities. In the United States, minority businesses were ignored by the federal government until the 1960s, when "black capitalism" emerged in response to the black protest movement. Minority set-aside programs were introduced into government contracting procedures, and special minority enterprise investment programs were created. The amount of money allocated was never very large, but the effort was a significant symbol of minority business's importance in American society. Programs assisting Cuban and Indo-Chinese refugees have also provided financial and other forms of help for prospective business owners. However, the long-term economic significance of these various programs was small, and little concrete evidence of their consequences could be found in the 1980s.

Group Characteristics

Opportunity structures provide the niches and routes of access for potential entrepreneurs, but that is only half the picture. Group characteristics are emphasized by researchers concerned with why particular ethnic groups are disproportionately concentrated in ethnic enterprises (Portes 1987). We have identified two dimensions of group characteristics: predisposing factors and resource mobilization.

PREDISPOSING FACTORS By predisposing factors we mean the skills and goals that individuals and groups bring with them to an opportunity. Hirschman (1982) argued that an ethnic group's socioeconomic achievements are partly a function of the human capital of individuals and the sociocultural orientation—motives, ambitions—derived from group membership. Selective migration has been particularly important for US ethnic groups, and favorable sociocultural orientations are often a reaction to conditions encountered in a new situation.

Selective migration The selective nature of migration directs our attention to the human capital immigrants bring to their host societies. For example, the initial Cuban migration to the United States was highly selective, as middle and upper-middle class Cubans—many with substantial education, business experience, and capital—fled Castro's policies (Perez 1986). Similarly, in the post-1965 migration stream, the majority of Koreans worked in white collar or professional jobs before migrating to the United States (Min 1988). Before we invoke group-level explanations, human capital theorists suggest we control for individual-level endowments.

Frazier (1949) emphasized the importance of prior buying and selling experience for immigrants entering business. His argument focused on the negative consequences that *lack* of such experience had on black Americans, whereas most subsequent writers have focused on groups which have benefitted from prior business experiences. Capital, connections, and specific business skills expedited the rapid emergence of a Chinese subeconomy in Paris, following the arrival of Chinese refugees from Vietnam in the mid 1970s (Guillon & Taboada-Leonetti 1986). Senegalese traders have penetrated European and American cities in spite of lacking co-ethnic clients, higher education, and occupational training, because they could draw on prior business experience (Salem 1981).

Whether experience in the art of trading and selling is a *necessary* condition for business success is difficult to determine. Writers have often emphasized the prior business experience of turn-of-the-century Jewish immigrants to Western Europe and the United States. However, Jewish emigration from the Pale of Settlement was highly selective, and artisans, not business owners or traders, were the most likely to leave Russia. Merchants and dealers accounted for one third of the gainfully employed Jews in Russia, but only 6% of the immigrants in 1899–1910 were merchants or dealers (Rubinow [1905] 1975). The case of Greek immigrants is even more striking, as they have been a presence in urban restaurants in the United States since the early twentieth century (Fairchild 1911) though they apparently originated predominantly in fishing villages and rural areas (Herman 1979).

Some immigrant group members have not been able to turn their previous education and experience into positions comparable to those they held prior to migrating, because they had language problems or lacked proper credentials. These persons, finding their way into well-paying white collar work blocked, have sometimes turned to entrepreneurship (Min 1988).

Settlement characteristics Settlement characteristics, of which group size and residential concentration are perhaps the most important, influence business development trajectories in a complicated way. Two business patterns have already been noted: the local ethnic market, arising as a consequence of residential clustering, and mainly dominated by retail and service businesses catering to a coethnic clientele; and the pseudo-middleman minority situation, in which geographically dispersed, ethnic businesses service an out-group clientele. A third pattern is the "ethnic enclave" (following the terminology coined by Portes). Though the enclave bears a resemblance to the local ethnic market in its spatial concentration and in the patronage it receives from nearby co-ethnic shoppers, it differs in two respects. First, the enclave's industrial structure is diversified beyond the "local economy" industries characteristic of a local ethnic market. Second, the enclave's industries are also linked to the general, nonethnic market (Portes & Bach 1985). Thus, population size and concentrations are necessary and sufficient conditions of local markets, but not of ethnic enclaves.

The turn-of-the-century Jewish immigrant community on Manhattan's Lower East Side—with its incredible concentration of retail and manufacturing firms in many business lines—presents the ethnic enclave in its classic form (Rischin 1962). Modern-day versions include the Chinatowns of New York (Wong 1987) and San Francisco (Godfrey 1988), as well as the Cuban subeconomy in Miami, which contains the single largest agglomeration of ethnic firms enumerated in 1982 (US Dept. of Commerce 1982).

The typology outlined above is, of course, an abstraction; in practice, multiple and overlapping patterns are likely. In Los Angeles, for example, Koreatown seems to fulfill the conditions of an ethnic enclave. However, the majority of Korean business owners in Los Angeles are in a pseudo-middleman minority situation, as the customer base needed to support the 21% self-employment rate of Koreans cannot be found in a Korean clientele alone (Light & Bonacich 1988:164). San Francisco's Chinatown can be classified as an enclave, but the emerging satellite Chinatowns in Richmond and Sunset best fit the description of a local ethnic market, and the many Chinese restaurants and laundry businesses fall into the pseudo-middleman minority category (Godfrey 1988:103–104). These patterns might be conceptualized as comprising stages in a developmental sequence (Waldinger et al 1990, Chapter 4). The very first Korean merchants to set up stores in emerging Hispanic immigrant neighborhoods in New York, for example, were veterans of an earlier Korean migration to Latin America (Kim 1981). As the Korean population in New York grew over the course of the 1970s and 1980s, it gradually provided the customer base for a dynamic, diversified local ethnic market (Kim 1987). By contrast, the Jewish ethnic enclave of the Lower East Side lasted for barely a generation. By the 1920s, with the decline of the Jewish working class, petty Jewish entrepreneurs increasingly sold to non-Jewish clients or employed a gentile labor force, producing a pseudo-middleman minority situation.

The interaction between such predisposing factors as settlement characteristics and opportunity structures emerges with particular salience when we examine intragroup differences in business activity. Though the Jewish Lower East Side exemplifies the ethnic enclave, self-employment rates for Russian Jewish immigrants were actually much higher outside New York. At the turn of the century, high self-employment rates for Russian Jews were positively correlated with small Jewish populations and low garment industry employment (Perlman 1983). Indeed, in small cities and towns, Russian Jewish migrants were almost entirely dependent on commercial transactions with outsiders, thereby reproducing the traditional patterns of Eastern Europe (Morawska 1988). Thus, in large ethnic concentrations, intense competition from co-ethnics for an inherently limited number of small business opportunities imposes a significant ceiling effect, notwithstanding other group traits that provide a strong inclination toward business ownership.

Culture and aspiration levels Many researchers believe that some ethnic traditions contain economically useful practices. Others, however, warn that culture is fluid and adapts to changing circumstances: "An analysis that views cultural attributes as unchanging . . . cannot explain the differential socio-economic achievement of Chinese and Japanese Americans prior to and after World War II nor account for the differences between Asian Americans and other ethnic and minority groups" (Nee & Wong 1985; 287). Strictly cultural arguments also omit structural conditions that give rise to, and reinforce, attitudes favorable to economic achievement.

Attention to context highlights the fluidity of economic orientations and their responsiveness to changing conditions. Immigrant workers often begin as temporary workers in small businesses, seeking jobs that provide opportunities to work long hours and accumulate savings. Once their plans for return are postponed or abandoned, immigrants may have acquired skills which represent "sunk capital," and therefore provide an incentive to start up as self-employed (Bailey 1987). Native workers, not having "sunk capital," are far less likely to acquire entrepreneurial skills in businesses like restaurants or garments where the relative returns to investment in human capital are low. Immigrants will also be more satisfied than native-born workers with low profits from small business because of wage differences between their origin and destination countries (Light 1984).

The classic model of *middleman minorities*, as refined by Bonacich (1973) and others, includes three traits characterizing a group's cultural patterns: first, a sojourner orientation to their host country; second, distinctive social and cultural characteristics that promote solidary communities; and third, distinctive economic traits, including concentration in entrepreneurial roles, a tendency to keep capital liquid, and a preference for kin and co-ethnic labor (O'Brien & Fugita 1982).

The middleman minority model is subject to criticism on several counts. First, the model is ahistorical, ascribing traits that are abstracted from the social and economic structures in which either the classic- or the pseudo-middleman minorities have been found. For example, Jain (1988) showed that British colonialism had much to do with the preference of Indian traders for liquidity, because British imperial policy did not allow South Asians to own land for agricultural purposes; by necessity they concentrated on trade and commercial activities. Second, the argument that immigrants who move as sojourners will opt for business over employment, as the better way of rapidly accumulating portable investement capital, is vulnerable on both logical and empirical grounds. Setting up a business is a more risky endeavor than working for someone else. When faced with the alternative of safely banking a nest egg to be returned back home, or investing in a business whose chance for success is always open to doubt, a prudent sojourner is likely to keep on working for someone else. Indeed, Ward's (1987) study of south Asians in Britain showed that they only resort to business in those cities where the available jobs are relatively poorly paid, preferring employment over business in high wage areas. Other research found that a sojourning orientation made no difference in the business operations of Asians in Britain (Aldrich 1977, Aldrich et al 1983), and that Korean pseudo-middleman minority store owners in New York were far less likely to be sojourners than their Hispanic counterparts who sold to an entirely co-ethnic clientele (Waldinger 1989). Third, the model's emphasis on distinctive economic traits, such as a preference for hiring co-ethnic workers or maintaining small firms when market conditions would allow for expansion, is based on the assumption that middleman minorities are not "modern capitalists in orientation" (Bonacich & Modell 1980:32). However, the empirical evidence speaks strongly to the contrary; for example, German Jewish department stores employed non-Jewish women in the inter-war period (Gross 1975), and Korean garment factory owners currently recruit Hispanic workers in New York and Los Angeles (Min 1989).

These specific criticisms also direct our attention to a broader observation: for every study that emphasizes an ethnic group's culture as a key factor in its economic achievements in business, another exists that emphasizes the often radical cultural changes occurring over a few generations. Separating the effects of the cultural values with which a group arrives in a host society from effects of the values generated by its post-migration experiences is extremely difficult. Clearly, some ethnic groups have high rates of entrepreneurship which persist over several generations. But as Steinberg (1981) has argued, structural factors limit the capacity of ethnic communities to preserve and pass on "traditional" ethnic customs and values. We remain skeptical of an over-socialized conception of an ethnic group's cultural heritage, apart from the social structure and institutions it constructs within the context of the larger society. Thus, we emphasize resource mobilization over cultural factors in our review.

RESOURCE MOBILIZATION Founding and running a business, no matter how small, is a demanding task, and only a fraction of those who start are ultimately successful. The basic resources needed—labor and capital—are no different for ethnic entrepreneurs than others. Personalistic and familistic ties are part of business operation in all capitalist societies (Zimmer & Aldrich 1987). Bechhofer & Elliot (1981) also noted that the general features of the petty bourgeoisie are much the same everywhere, particularly dependence on family labor and the use of hired labor as an extension, rather than a replacement, of the owner's labor.

Class versus ethnic resources Light (1984) distinguished between "class" and "ethnic" resources in an attempt to separate the purely ethnic from the generic process of resource mobilization. Increased attention to class resources separate from ethnic resources was provoked, in part, by the emergence of middle-class entrepreneurs among recent immigrants, such as Cubans and Koreans. Light defined class resources as private property in the means of production and distribution, human capital, money to invest, and bourgeois values, attitudes, knowledge, and skills transmitted intergenerationally. Ethnic resources, in Light's model, are any and all features of their ethnic group that potential owners can use, such as cultural endowments, reactive solidarity, and sojourning orientation. In practice, few researchers have held to this distinction, but in theory, the distinction is critical, as it emphasizes the strong continuity between studies of small business in general and ethnic enterprise in particular.

We would expect *viable* business enterprises to look very much alike, regardless of ownership. Theories of ethnic businesses posit that such enterprises differ from others because of the social structure within which resources are mobilized. Researchers have focused on ethnic resource mobilization as a collective, rather than purely individual, activity, as ethnic entrepreneurs draw on family, kin, and co-ethnic relations for labor and capital. Because so many researchers have not compared their findings to non-ethnic business operations, they have tended to overstate the uniquely "ethnic" component in resource mobilization.

Ethnic social structures: social networks and organizing capacity Ethnic social structures consist of the networks of kinship and friendship around which ethnic communities are arranged, and the interlacing of these networks with positions in the economy (jobs), in space (housing), and in society (institutions). Breton's (1964) concept of *institutional completeness* captures the spirit of much research on ethnic business, as it refers to the relative number of formal organizations in an ethnic community and the resulting complexity of relations between co-ethnics. We focus on the role of ethnic institutions in raising capital, recruiting labor, and dealing with suppliers and customers.

Information about permits, laws, management practices, reliable suppliers, and promising business lines is typically obtained through owners' personal networks and via various indirect ties that are specifically linked to their ethnic communities. The structure of such networks differs, depending upon the characteristics of the group. Some groups have very hierarchically organized families and a clear sense of family loyalty and obligation, whereas others have more diffusely organized families. Ritualized occasions and large-scale ceremonies also provide opportunities for acquiring information, and some groups have specialized associations and media which disseminate information. When co-ethnics supply such information, the consequence is often a piling up or concentration by an ethnic group within a limited number of industries. Newcomers finding employment among co-ethnics in these immigrant small business industries automatically gain access to contacts, opportunities to learn on the job, and role models. They therefore enjoy a higher probability of subsequent advancement to ownership than do their counterparts who work in larger firms among members of the dominant ethnic group.

Rotating credit associations are commonly used in many ethnic groups to raise capital (Ardener 1964). Light (1972) argued that traditional rotating credit associations among the Japanese and Chinese enabled locality-based groups to capitalize small businesses, whereas US blacks lacked such institutions and were thus at a disadvantage. Ethnic credit associations are based on levels of ethical accountability and frugality (Woodrum 1981) and have been found in a variety of guises among immigrants to the United States. Such associations were particularly important for groups that were discriminated against by regular financial institutions (Gerber 1982).

Rotating credit associations are important, but three research findings suggest their significance may have been overstated. First, entrepreneurs are often highly innovative in their search for capital, and ethnic owners have created many vehicles for raising capital other than rotating credit associations (Russell 1984). Second, some groups have many active rotating credit associations but do not use them to fund businesses (Bonnett 1981). Third, recent research has found that the great majority of ethnic owners fund their businesses from their own personal savings, with some money from their families (Min 1988).

Families, in addition to providing capital, are often the core workforce for small businesses. Thus, immigrants who arrive in a country with their families intact, or who can quickly reconstitute the family through subsequent migration, have an advantage over those who cannot. Similarly, ethnic groups with larger families, with high participation rates by family members, and with norms stressing collective achievement have some advantage over others.

Some research indicates that a strong family structure is not sufficient, nor perhaps even necessary, for ethnic entrepreneurs' success. In her study of

Mexican-American and Anglo-American families in three Southern California cities, Keefe (1984) found evidence of a strong extended family structure among the Mexican-American families, but no indication such strength was channelled into business activities. Chan & Cheung (1985) found that most Chinese businesses in Toronto either had *no* employees or no family members as employees. Zimmer & Aldrich (1987), in their research on South Asian and white shopkeepers in three English cities, found little difference between the two groups in their use of family labor.

Recent theoretical writings on ethnicity have stressed the advantages of ethnic over other forms of social organization (Glazer & Moynihan 1975, Olzak 1983), and some research on ethnic business supports this idea. Considerable attention has been paid to vertical and horizontal interfirm linkages that appear to reduce transaction costs and lower intraethnic competition (Wilson & Martin 1982). In contrast to the historical record (Light 1972), research on contemporary immigrant groups provides little evidence of price or entry regulation, vertical integration, or other joint monopolistic activities. Research on Korean retailers in the United States (Min 1988) does show that backward linkages to co-ethnic suppliers can be advantageous: transactions are made in the native language; co-ethnic wholesalers are more flexible on credit; and they carry the type of merchandise that appeals to Korean merchants' customers. However, in spite of these advantages, most Korean merchants make equal use of Korean and non-Korean suppliers. The common inability of ethnic trade associations to control competition between co-ethnics is additional evidence of the weakness of cultural constraints in the face of economic opportunities (Bailey 1987:55).

Ethnic institutions, such as churches and voluntary associations, are often supported by ethnic entrepreneurs for business reasons as well as a sense of in-group loyalty. For example, among Poles and Slavs, fraternal, mutual benefit societies sponsored by the Catholic Church have often contributed indirectly to ethnic businesses (Cummings 1980). Bonacich & Modell (1980) noted that the Nisei who had social bonds to their ethnic group in a variety of informal and formal contexts were more likely to participate in the ethnic economy, and vice versa. Boswell (1986:364) argued that "Chinese merchants subsidized traditional Chinese cultural and clan activities in part to maintain their trade monopoly."

As Bonacich (1973) observed, in-group solidarity is often a reaction to hostility from the host society. For example, Chicano used car dealers in the American Southwest are limited in their ability to cultivate interpersonal relations with people who could give them access to better automobiles because of white dealers' hostilities and ethnic stereotyping. Consequently, Chicano dealers "cannot accumulate sufficient capital to increase their credit floor plan and thus trade in the high volume that would make them competitive with white dealers" (Valdez 1984:236). Instead, they sell to co-ethnics in the barrio who need credit.

Available evidence certainly indicates that many ethnic groups have a level of institutional completeness and internal solidarity that gives some of their members an advantage in mobilizing resources. The resources themselves are generic to the business founding and survival process, but models of ethnic entrepreneurship have probably exaggerated the unique advantage of certain groups because few studies are truly comparative—examining in detail both ethnic and non-ethnic businesses. The conditions facilitating resource mobilization are historically contingent, heavily dependent upon individual initiative, and subject to manipulation by dominant groups.

Ethnic Strategies

Strategies emerge from the interaction of opportunity structures and group characteristics, as ethnic entrepreneurs adapt to the resources available to them, building on the characteristics of their groups (Boissevain et al 1990, Boissevain & Grotenbreg 1986). Our use of the term "strategies" to characterize ethnic entrepreneurs' actions is in the same spirit as Hamilton's (1985:408) use of the term to explain patterns of temporary migration: strategy is a "technical term meaning the positioning of oneself to others in order to accomplish one's goals. Whereas one's reasons for action may be subjective and strictly personal, one's strategy is shaped by social circumstances . . . the strategy becomes social insofar as individuals recognize the actual or possible influence of others, their values and actions, upon their own goals."

Ethnic business owners commonly confront a number of problems in founding and operating their businesses, in addition to those we have already reviewed: acquiring the *training and skills* needed to run a small business; recruiting and managing efficient, honest, and cheap *workers;* managing relations with *customers* and *suppliers;* surviving strenuous business *competition;* and protecting themselves from *political attacks*.

Training and skills are typically acquired on the job, often while the potential owner is an employee in a co-ethnic or family member's business. Ties within the ethnic economy widen workers' contacts, increasing the probability of their moving up through a variety of jobs and firms in which skills are acquired (Portes & Bach 1985, Waldinger 1986). Family and co-ethnic labor is critical to most small ethnic businesses. Such labor is largely unpaid, and kin and co-ethnics work long hours in the service of their employers. Ethnic entrepreneurs manipulate family and co-ethnic perseverance and loyalty to their own advantage, but they also incur obligations in doing so.

Customers and clients play a central role in owners' strategies, as building a loyal following is a way of off-setting the high level of uncertainty facing small ethnic businesses. Some owners provide special services, extend credit, and go out of their way to deliver individual services to customers. Often, however, providing special services to one's co-ethnics causes trouble for owners, who then are faced with special pleading to take lower profits for their efforts (Aldrich et al 1983).

The intense competition generated in the niches occupied by ethnic businesses is dealt with in at least four ways: (*a*) through self-exploitation; (*b*) expanding the business by moving forward or backward in the chain of production, or by opening other shops (Werbner 1984); (*c*) founding and supporting ethnic trading associations (Light & Bonacich 1988); and (*d*) cementing alliances to other families through marriage (Sway 1988). Finally, ethnic entrepreneurs often need protection from government officials, as well as from rival owners outside their ethnic community. Government is dealt with by ethnic owners in much the same way that non-ethnic owners always have: bribery, paying penalties, searching for loopholes, and organizing protests.

Ethnic strategies, then, reflect both the opportunity structure within which ethnic businesses operate *and* the particular characteristics of the owner's group. Accordingly, ethnic strategies may be thought of as at the *center* of our framework, emphasizing their emergent character. The strategies adopted by the various ethnic groups in capitalistic societies around the world are remarkably similar.

CONCLUSIONS

We have used a framework based on three interactive components—opportunity structures, group characteristics, and strategies—to review recent scholarship on ethnic business development. Of necessity, we cast a wide net in our search for relevant research, as contributions have been made by investigators in many disciplines and from a variety of approaches. A common theme pervades most of this work: ethnic groups adapt to the resources made available by their environments, which vary substantially across societies and over time.

Among the many issues deserving greater attention, we include the following: the reciprocal relation between ethnicity and entrepreneurship, more careful use of ethnic labels, the need for more multiple group, comparative research, and the need for more process-oriented research designs. First, ethnicity, defined as self-identification with a particular ethnic group, or a label applied by outsiders, is neither primordial nor imported prior to contact with a host society. Instead, ethnicity is a possible outcome of the patterns by which intra- and inter- group interactions are structured. The emergence of ethnic communities and networks may generate an infrastructure and resources for ethnic businesses *before* a sense of group awareness develops. In turn, an ethnic business niche may give rise to, or strengthen, group consciousness. Ethnic boundaries, as social constructions, are inherently fluid.

Second, much of the research on ethnic businesses fits Yinger's (1985:158) description of other research in the field of ethnic studies, as it is based on the "single fact of an ethnic (or state-origin) label, with little attention to the salience of the label, to the strength of identification with the ethnic group compared with other identities, or to the distinction between country of origin and ethnicity." Reliance on census data collected for other purposes is the culprit in most cases, and one remedy would be more studies specifically designed to measure multiple indicators of a person's ethnic identification, as well as involvement in entrepreneurship.

Third, as Miyamoto (1986) pointed out, we need more rigorous, detailed comparative data on multiple groups, studied over the same period, with comparable information collected on each group. Currently, studies using census data often include multiple groups, but as the census collects little information on entrepreneurial activities, and practically nothing on ethnic processes, they have limited utility for examining most questions of interest. The modal study using survey or field work data includes only one group, with only implicit comparisons made to others.

Fourth, almost no studies of ethnic enterprise have examined *performance* over time, and so we have little understanding of the contribution ethnic group structures and strategies make to entrepreneurial success. More dynamic research designs, such as panel studies, are clearly needed.

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