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COMMENT: SOCIAL STRUCTURE AND BUSINESS DEVELOPMENT

Roger Waldinger

Few policy issues are as likely to provoke controversy as immigration, and the tempestuous state of the policy discussion is mirrored in the academic debate. Fortunately, Michael White forgoes the opportunity to engage in the sharp elbowing that often occurs among immigration researchers and offers us a judicious digest of the crucial issues in this field.

White provides an optimistic gloss on the troublesome questions of immigrants' progress and their impact on the job opportunities of native workers. Immigrants are moving up, argues White, though the more recent arrivals may not be advancing as quickly as earlier cohorts, and as a result may never reach parity with the native born. Labor market trajectories are mirrored in residential patterns, where immigrants' segregation from natives declines over time. On balance, immigrant mobility does not take place at the expense of the native-born. Citing a vast array of research, including his own recent, and interesting contributions, White argues that there is little reason to think that immigrants have displaced natives. With immigrants moving ahead, and causing little material discomfort for natives, White concludes that the appropriate policy in immigration is the *status quo*, enhanced by beefed-up civil rights enforcement for those native and immigrant groups most vulnerable to discrimination.

White's considered survey is unobjectionable. And yet there is something missing from this paper. Like so many other researchers in this field, White has written about people who just happen to live in cities; but the particularities of immigrant cities—the characteristics of the cities and how they impinge on newcomers as well as the extraordinarily diverse mixtures of people, which vary sharply among the major immigrant receiving areas—are questions that never make it into these discussions.

These issues matter for a variety of reasons. First, immigration is such an extraordinarily localized phenomenon. In 1980, four out of

every ten new immigrants lived either in the greater Los Angeles or New York areas. Elsewhere, only a scattering of metropolitan areas could count substantial foreign-born populations. What we can glean from Immigration and Naturalization Service data—our best substitute for 1990 census data not available as of this writing—tells us that earlier patterns have held up. In 1990, when the U.S. admitted just over 1.5 million immigrants (a bloated number reflected the conversion of prior undocumented to legal status), almost a quarter of this group was in the Los Angeles metropolitan area alone! Concentration may be the best reason why the main substitution effect of immigration appears to be felt by other immigrants—a consequence that White only acknowledges in passing, though it may well account for the lagging rate of immigrant progress that he and other analysts deplore. And concentration also suggests that immigrants' fate will be bound up with the varying trajectories of the cities where they have settled. Undoubtedly, the immigrants who are suffering through New York's and L.A.'s extended downturns could tell us something about this.

Second, the leading immigrant settlements vary in the diversity and composition of their new immigrant populations. In 1980, for example, a single nationality group—Mexicans—made up almost half of the 1965–1980 newcomers in Los Angeles, but in New York, no group accounted for more than 10 percent of the area's new immigrants. These two leading immigration cities have received an entirely different mix of people—with Creole, English, and Spanish-speaking arrivals from the Caribbean who dominate New York virtually absent from Los Angeles, and Mexicans an insignificant presence in New York until recently. New York and Los Angeles also differ sharply in their receptivity to the undocumented—with illegal immigrants comprising more than half of L.A.'s new immigrant population in 1980, but less than one fifth of New York's.

Attention to compositional characteristics adds new meaning to White's argument that "it is not so much immigrant status as ethnic background that affects economic and social assimilation." Historical and sociological research tells us that the size and diversity of populations affected the trajectories of earlier immigrants, and one could expect similar effects now. With so many Mexicans in Los Angeles, residential dispersion out of Mexican residential clusters will be a more difficult, protracted process—and indeed the 1970s already saw a shift toward more concentrated settlements. Similarly, inter-urban differences in the distribution of immigrants among legal and illegal status are likely to affect the process of adaptation. Certainly, the view from Los Angeles is that the prevalence of undocumented immigrants in Los Angeles has not gone without effect—as can be seen in the

expansion of the area's low-wage manufacturing industries at the same time that its high value-added manufacturing complex withers.

Third, inattention to the key immigrant cities and their particularities leaves us wondering "how the city operates as a melting pot or as a source of economic opportunity"—the very question that White seeks to answer. For readers who have been pondering the "underclass debate," there is certainly something anomalous about the arrival of immigrants, many of whom lack the education, English-language, and familiarity with modern technology that today's employers supposedly want. Many newcomers, it appears, are starting out at the bottom in jobs that require relatively low skills. Yet numerous analysts, including some who appear in this volume, inform us that cities have been losing those entry-level jobs, with disastrous consequences for native-born blacks. The immigrant phenomenon, however, tells us that there may be more bottom-level jobs than we usually think. And the fact immigrants in Chicago, New York, and Los Angeles have been more successful than blacks in finding these jobs forces us to think about the social processes by which jobs are allocated to categorically distinctive groups.

These considerations bring us to the issues of minority and ethnic enterprise, with which Bates and Dunham are concerned. Their work on business as a route to minority mobility is an important chapter that builds on Bates' long and significant contributions to research in this field. Bates and Dunham have been particularly resourceful in locating and exploiting a variety of new, and I think, particularly rich data sources that provide considerable insight into the changing pattern of minority business ownership.

From the discussant's standpoint the paper is almost too rich. The authors pursue numerous strands of inquiry and present summary results from many individual projects in an admirable attempt to examine various aspect of a changing and diverse minority business scene. Though it is occasionally hard to detect, their central argument goes like this: Perspectives on minority business—and problems of minority/majority inequality in general—have been transformed by the growth of America's Asian population. Asians seem to enjoy unusual economic success, especially in business. That success has led both scholarly and non-scholarly onlookers to wonder whether the growth of Asian enterprise might not be the product of group-specific characteristics. Sociologists have been particularly attracted to this point of view.

According to Bates and Dunham, sociologists have it wrong. While Asians may indeed be over-represented in business, their track record does not indicate clearcut success: Asian businesses are crowded into

a limited number of business lines, where the potential for growth and profitability is limited. More importantly, to quote a point made several times throughout the paper, "there is nothing particularly unique about the Asian strategy for business success." As is the case for other minorities, blocked mobility provides the motivation to go into business. Asians move into business lines where the obstacles to new firm formation are lowest. High levels of education and considerable access to financial capital are the crucial factors enabling Asians to take advantage of the opportunities they encounter. Business is a transitional strategy that most Asians abandon once they have acquired the skills, in particular, English language skills, required by American employers. In the end, the Asians who remain in business are those with the highest levels of financial and human capital.

This argument coexists with other related, though subsidiary themes. Bates and Dunham review the changing pattern of black involvement in business, noting that the changing educational profile of blacks is creating new opportunities for business growth. They also discuss hiring patterns in small firms. Here, they suddenly advance a new argument that departs from their earlier point of view. Noting that small white-owned businesses tend to rely on informal recruitment networks that necessarily exclude blacks, they conclude that hiring patterns limit the extent to which small businesses can serve as a route for minority upward mobility.

To me, this latter point suggests that the dichotomy between group-specific or social structural arguments and the approach advocated by Bates and Dunham is more apparent than real. What I'd like to argue—through the example of Korean business development in New York City—is that the social structure of a group may alter the economics of business development in ways that are entirely compatible with the views of Dunham and Bates.

The initial wave of Korean businesses in New York City in the late 1960s appears to have been launched by Koreans with previous entrepreneurial experience in Latin America. Though high-level professionals dominated the early wave of Korean immigrants, some of these in early arrivals lacked the accreditation or licenses required by American employers and often spoke English poorly. The example of their co-ethnics who came via Latin America suggested an alternative route of entry into the American economy.

Once a business niche was established, a variety of group-specific factors increased the efficiency and speed with which information about business opportunities and practices was diffused to newcomers and business-relevant skills were acquired.

A high proportion of the Koreans in New York City are Protestants; as with many earlier immigrant groups, the desire to worship in one's native tongue with others of one's own kind has led to the creation of foreign-language congregations. My own count, based on the 1991 Korean Business Directory, shows over 170 Korean congregations in New York's five boroughs alone, with many more in suburban areas. One need only to have heard of Max Weber to realize that church attendance may yield other, non-religious consequences. Thus, a latent function of the Korean church is to provide a setting where Koreans can gather and connect, at which time talk may turn from spiritual to secular matters. The more such connections, the broader the organizational linkages and the greater are the nodes through which business-relevant information may pass. This is the case, for example, among Korean churches of a particular Protestant denomination.

The proliferation of congregations reflects a basic characteristic of the Korean community: its extraordinary organizational density. Koreans' economic activities create both interests and conflicts with other groups that are best handled through associations. Korean merchants in particular areas band together as do owners in a particular business line. Thus, one has the Korean Merchants of Jamaica, the Korean Contractors' Association, the Korean Produce Retailers' Association, the Korean Seafood Association, and so on. The ability of these associations to mobilize very fungible resources—as in the case of two Korean grocers in Brooklyn kept alive during a six-month long boycott through contributions from the Produce Retailers' association—makes one skeptical about the argument that these are just another bunch of individualistic entrepreneurs. But my main point is simply that with so many overlapping, cross-cutting organizations, business-relevant information is more readily accessible and at a lower cost. Consequently, knowledge about new opportunities diffuses more rapidly and more efficiently than in communities with lower levels of organizational density.

Now consider the ways in which group characteristics affect the skill acquisition process. Remember that Bates and Dunham contend that small, white-owned firms disproportionately depend on informal hiring networks, which implicitly exclude blacks.

Like a white owner, the small Korean entrepreneur also relies on ethnic or kinship hiring networks. This reliance reduces uncertainty in the hiring decision by funneling new recruits whose characteristics are essentially known. Network hiring also eases training because the intermediary who acts as a recruiter may take responsibility for "breaking in" the new employee. Of equal importance, the new em-

ployee may feel constrained by the awareness that his or her work reflects on the recruiter. From the standpoint of the recruit, the immigrant firm may offer low wages, but the real and the opportunity costs of this employment can be recouped because the immigrant firm offers greater access to skills that lead to subsequent self-employment. The fact that the immigrant employee has connections to other self-employed Koreans—in part, through the associations and organizations mentioned above—increases the worker's contacts within the industry. The more contacts a worker has, the higher the probability that he or she will be able to move successfully through a variety of jobs and firms and thereby obtain the skills needed to run his or her own business. Thus, social structure can be a source of competitive advantage to immigrant owners and potential owners—by lowering the costs of recruiting and training workers and by enhancing the process by which new arrivals gain skills and move ahead into ownership.

Finally, let us look at how social structure might affect relationships among firms. The proliferation of Korean retail businesses has allowed for substantial backward penetration into wholesaling: the New York Korean Business Directory lists 113 Korean wholesale businesses. But the transactions between, for instance, a Korean purse and handbag wholesaler and a Korean novelty retailer, are embedded in a network of social relations that lowers the likelihood of opportunism on the part of either party. To be sure, the supplier may misrepresent the quality of the goods, and the purchaser may drag out payment or not honor the contract. But the fact that they share common, longstanding organizational and network affiliations reduces the chance for opportunistic behavior typical of short-lived, market relations. Hence, social structure is likely to be a source of transaction-cost economies that add to the advantages of Korean entrepreneurs.

The point of this excursus is not to contradict Bates' and Dunham's emphasis on the importance of the human and financial capital of Korean and other Asian entrepreneurs. Rather, I have tried to argue for a social structural view that complements Bates' and Dunham's perspective. Of course, it is true that I can't put a coefficient on each of the social structural effects that I claim. But if we could reach an agreement on theory, we might find useful ways of operationalizing the social structural claims and testing them in the ways that Bates and Dunham advocate.

The new world of urban labor markets comprises a far more diverse population than before. All of the components of this world are affected by the same economic changes and share some measure of

disadvantage. Yet when we look at relevant outcome measures—such as self-employment rates or employment rates—we find more variance than we can explain in terms of differences in variables like human or financial capital. It is doubtful that we will be able to make more headway in explaining the different outcomes of different racial and ethnic groups without coming to grips with specific, historically contingent factors that condition the varying responses to a common economic environment. And as I have tried to suggest above, such attempts to focus on group-specific characteristics can provide additional explanatory power, without conflicting with the theoretical thrust of more conventional approaches.