Higher National Certificates – a credential best approximated, in status if not in knowledge, by an American two-year associate degree.

26. Nearly half of Metalco engineers emphasized managers' role as linkages in the organizational structure, compared to only 20 percent of Computergraph engineers (10 percent of the staff engineers).

27. For a review of the literature on coupling, loose and tight, see W. Richard Scott, *Organizations: Rational, Natural, and Open Systems* (Englewood Cliffs, N.J.: Prentice-Hall, 1981).

28. For a discussion of the importance of the market position of the firm for the granting of "responsible autonomy" to employees, see Andrew Friedman, *Industry and Labour* (London: Macmillan, 1977). Friedman errs, however, in seeing "monopoly" profits as the essential prerequisite for such arrangements.

29. In early discussions with the company about access, senior management indicated considerable awareness of the organizational literature on managing professionals and the desirability of granting autonomous work conditions.

30. Derber, "Managing Professionals," 325–30.

31. Only 12 percent of Computergraph's staff engineers wanted to participate in business and commercial decisions, compared to the 47 percent of Metalco engineers who expressed such an interest.

32. The two correlations were r = .29 sig = .02 and r = .40, sig. = .001, respectively.

33. Sixty-six percent of Computergraph's engineers complained of unnecessary organizational or business constraints that interfered with their technical work, compared to 37 percent of Metalco's. On the other hand, 44 percent of Metalco's engineers considered such constraints "part of the job." Overall, Metalco engineers experienced, and perceived, far more constraints on their work than did Computergraph's, but they were more accepting of them as inevitable.

34. Gorz, *Strategy for Labour*, 104.

35. See Adam Przeworski, "Material Bases of Consent: Economics and Politics in a Hegemonic System," *Political Power and Social Theory* 1 (1980): 21–66.

36. See Stephen Marglins's classic discussion in "What Do Bosses Do?" in Gorz, ed., *The Division of Labour*.

37. See, for example, Galbraith's *New Industrial State* and the extended theoretical discussion in Williamson's *Markets and Hierarchies*.

38. See Chandler, *Strategy and Structure*.

39. See Williamson, *Hierarchies and Markets*, 138–39. Indeed, such inefficiencies were noted by one engineer at Metalco, who noted that the production divisions were often doing technical development in-house rather than pay the full costs that the technical unit would have to charge when: "We have people to spare. We should charge them the costs it takes to do the job and not charge them overhead since that's already paid for. From Metalco's perspective overall, it doesn't make sense." But this was a minority opinion of one.

40. See J. Child, "Culture Contingency and Capitalism in the Cross-National Study of Organizations," in L. L. Cummings and B. M. Shaw, eds., *Research in Organizational Behavior*, vol. 3 (Greenwich, Conn.: JAI Press, 1979); and David Granick, *Managerial Comparisons*.

41. See John Roemer, *A General Theory of Exploitation and Class* (Cambridge, Mass: Harvard University Press, 1982).

15

Immigrant enterprise in the United States

ROGER WALDINGER

In the prevailing models of modern society, there is little room and precious little time left for the small firm and the independent entrepreneur. Marx argued that the lower strata of the middle class would gradually sink into the proletariat and, whatever the reception of his other views on the development of capitalist society, these particular prognostications were seconded by most subsequent observers. The conventional view is that working for oneself has been reduced to a marginal phenomenon and that small businesses persist either because market size has not yet permitted sufficient economies of scale, or because some residual need for specialization or a hankering after personalized services has postponed the advent of standardization.

If the prevalence of self-employment and the importance of small business have declined for the population at large, they continue to be poles of attraction for immigrants and their descendants. Historically, immigrants have gravitated toward small business: in turn of the century New York, it was not only in the petty trades of peddling and huckstering that the foreign-born were overrepresented, but also among "manufacturers and officials," "merchants and dealers," and other proprietary occupations. Small enterprise played an important role in the economic progress of a variety of immigrant groups that implanted themselves in business then – Jews, Italians, Greeks, and others – and their proportionally higher involvement in entrepreneurial activities continues to differentiate these groups from much of the native population.[1]

The renewal of mass immigration to the United States since 1965 has brought an infusion of new immigrant owners to the ranks of petty proprietors. Miami, for example, has a flourishing sector of Cuban-owned businesses that includes more than 150 manufacturing firms, 230 restaurants, 30 furniture factories, a shoe factory employing 3,000 people, and 30 transplanted cigar factories.[2] In New York, Chinese immigrants operate more than 500 garment factories employing over 20,000 Chinese workers; newcomers from Asia and Latin America operate 60 percent of the city's restaurants; and Koreans have made great inroads into the grocery store industry, much to the consternation of their competitors among the supermarket chains. Just as immigrants were overrepresented among the self-employed at the turn of the century, so they are today. In New York, 12.2 percent of employed foreign-born males were self-employed in 1980 as opposed to 9.2 percent for the native-born. For these immigrants, small business appears to be an important part of the settlement process. Only the most recent newcomers are self-employed at a rate below that of the native-born; after ten years in the United States, self-employed rates exceed those for the native-born and continue to climb with length of stay.[3]

In contrast to small business, immigrant enterprise in both its historical and contemporary manifestations has attracted considerable research interest. There is now a variety of explanations for the overrepresentation of immigrants in small business. These various accounts have considerable merits, but, as I shall show in the critique that follows, they fall short in several key respects. In some instances, the problems are of an empirical nature; in other instances, the issue is one of not adequately specifying the particularities of the ethnic firm; in yet other cases, the objection is that the explanatory factors are necessary but insufficient conditions of immigrant entrepreneurial success. The alternative that I will develop in this chapter is an argument about the interaction between the opportunity structure of the host society and the social structure of the immigrant group. Presented in summary form, my contention is that ethnic business growth depends on: (1) a niche in which the small firm can viably function; (2) access to ownership positions; (3) a pre-disposition toward small-business activities; and (4) a group's ability to mobilize information resources in organizing the firm.

Theories of ethnic enterprise

Among the explanations for ethnic business success offered in the literature, cultural and "middleman minority" theories are the most important. This section will offer a critical assessment of these theories.

Cultural analysis focuses on two arguments. One hypothesis is that immigrant groups import individualistic traits and behaviors that override initial placement in low-level jobs and catapult them instead into small-business positions.[4] The alternative argument, currently more popular in ethnic and immigration research, was offered by Ivan Light

in his now classic book, *Ethnic Enterprise in America*; this was an imaginative variation of the Weber thesis, showing how ethnic solidarism helped immigrant groups organize those collective resources needed to exploit small-business opportunities, thus providing an "elective affinity" with the requirements of small business.[5] In a later adumbration of the original argument, Light has proposed that these solidaristic traditions might be classified as either "orthodox" or "reactive." Traditions in the first category would include those present in the group prior to migration; those in the latter would encompass patterns arising in response to the specificities of the immigration situation. For Asian immigrants, whose economic behavior is seen as exemplifying the influence of group solidarity, rotating credit associations would fall into the orthodox category while clan and family groups, which propped up the Chinese immigrant subeconomy during the early twentieth century, would be classified as reactive.[6]

Although cultural theories are suggestive for the importance that they attribute to predisposing factors, they are open to criticism on several counts. The entrepreneurial-values approach can be thought of in a "hard" and a "soft" form: the hard form would ascribe entrepreneurial values to a belief system distinctive from a group's economic role; the "soft" form would see those values as an adaptation to the original conditions in which a group lived prior to emigration. One strike against the hard form is simply that groups noted for their entrepreneurial bent also seem remarkably adaptive and their tendency is to become more like the native labor force over time, shifting from self-employment to salaried employment over the course of two to three generations – an issue discussed at greater length below. A more important criticism of the "hard" form is that its conditions are difficult to meet because what one needs is evidence of business-relevant values that are not ultimately reducible to a group's pre-migration experience. Some groups do indeed seem inclined toward entrepreneurship thanks to the influence of a particular belief system: such is the case of Koreans immigrating to the United States, many of whom are Protestants but still maintain Confucian values; the value systems common to both religions emphasize self-abnegation and self-control and thereby reinforce the qualities needed for small business gain. But, as Illsoo Kim has shown, the character structure of Korean immigrants also has its source in the after-effects of state centralism and the fluid class structure of pre-industrial Korea – both of which bred marginality and individualism.[7] Thus, whatever the origins of the initial thrust toward competitiveness, entrepreneurial values were thoroughly reinforced by the character of Korean society and consequently internalized prior to their immigration to the U.S., which lends support to the soft, rather than the hard, form of the entrepreneurial-values approach. But, if a value system is adaptive, the issue then becomes why the behavioral traits acquired in one society are rewarded in another. To that question, Werner Cahnmann's comments on the historical experience of Jews offer an instructive response: "... the era of liberalism ... unleashed the energies of the Jews and gave them a free reign. The Jews had been conditioned to competitive risk-taking for a long time. Now, the rules which had governed their conduct under specific circumstances, found wide application."[8] Thus, the entrepreneurial-values approach presupposes the existence of opportunity structures congruent with acquired behavioral patters. This in turn begs the questions of the source of opportunities as well as their variation over time and space.

The collective-resource perspective also elides the relationship between culture and the environment. Analysts such as Light and Modell base their case on Asian-American subeconomies of the pre-World War II period, when nepotistic trade guilds and marketing organizations set prices, regulated output, and rationed entries to new firms.[9] Undoubtedly, these economic activities sprung up out of pre-existing cultural forms. But, if culture is to serve as a predictor of ethnic business success, then the limiting case is the constraining power attributed to cultural norms: that is to say, to what extent will cultural traditions influence economic behavior (as in the case of clan groupings that restrict competition) when nontraditional, individualistic actions elicit environmental rewards?

Reconsider, in this light, the evolution of those solidaristic organizations among Chinese- and Japanese-American business owners that served to set prices and regulate competition. These activities can be construed as rational responses to highly constricted market situations in which unimpeded business activity would have quickly exceeded the demand for ethnic products. Moreover, cultural consensus seems likely to have been less important in organizing the ethnic subeconomy than control mechanisms because, at the time, these immigrants were institutionally segregated from the mainstream labor market. Confinement to the ethnic subeconomy made the threat of exclusion a potent weapon of associational control. Among the Chinese, in particular, collective economic organizations were instruments of elite organization[10] whose efficacy derived from the autonomy that local authorities granted to Chinatown elites.[11]

If this reading is correct, then such organizations are likely to diminish in importance if the environmental constraints lose force. The reason is that more expansive market opportunities should reduce the need for associational controls while at the same time increasing the tension between guild-like regulation and economic growth. Indeed,

ethnic economic associations occupy a greatly attenuated place in the Asian subeconomies that have arisen in the wake of the new immigration. In New York's Chinatown, for example, the proliferation of garment factories from twenty in 1965 to close to five hundred in 1985 has helped fuel the growth of the entire subeconomy. Yet, in contrast to the pre-war situation, when guilds and family groups controlled business transactions and guarded against saturating Chinatown's limited market, the Chinatown garment industry is now racked by the pains of overexpansion, with price wars and labor shortages forcing 20 percent of the businesses to change hands every year. Similarly, the ease with which Korean immigrants have been able to enter New York's fruit and grocery business has promoted intense intraethnic competition, completely overwhelming the ability of organizations like the Korean Produce Retailers Association to limit the entry of new Korean-owned stores.[12]

Another body of research identifies the business success of contemporary ethnic or immigrant groups as a "middleman-minority" phenomenon. Traditionally, middleman-minorities have been associated with pre-capitalist situations, where their role has been ascribed to the possession of valued skills or status considerations.[13] However, Edna Bonacich has argued that the middleman-minority role persists into advanced capitalist societies despite the attenuation or disappearance of original contextual factors. The initial hypothesis suggested that middleman-minorities begin as sojourners, enduring short-term deprivations for the long-term goal of return and choosing portable and liquifiable livelihoods. This orientation elicits a hostile reaction from the host society; that antagonism, in turn, strengthens solidaristic behaviors and in-group economic ties.[14] In a case study of Japanese immigrants in the United States in the first half of the twentieth century, coauthored with John Modell, Bonacich has argued that the Japanese's rapid penetration of small-scale, speculative lines in California agriculture and food retailing and wholesaling exemplifies the middleman-minority phenomenon.[15]

But in this, the most recent formulation of the "middleman-minority" approach, the theoretical status of the initial hypothesis has been altered and obscured. Attempts to order or specify the causal variables of context (in economic terms, demand), culture, and antagonism have been abandoned, and the middleman-minority approach now seems designed to elaborate an ideal type exemplified by a variety of characteristics. Thus, middleman-minorities are those ethnic business groups whose firms are concentrated in marginal business lines; recruit from a labor force encapsulated within the ethnic economy; integrate activities with one another so as to compete collectively with majority-owned firms; maintain "petit bourgeois" and familistic management norms; and contend with a "somewhat" antagonistic relationship to the host society.[16]

Exception to the middleman-minority approach can be taken on several grounds. First, it fails to specify the grounds for inclusion or exclusion with respect to both businesses and minorities. Any and all small-business activities undertaken by immigrants are classified as middleman-minority phenomena; similarly, the defining traits of the minorities are stated in such diluted form as to encompass almost any range of behavior. Secondly, the interpretive and factual bases for the middleman-minority hypothesis are at variance with its fundamental claims. For example, the middleman-minority approach posits a simple interaction between minority solidarity and host society antagonism. But this hypothesis is very difficult to reconcile with the historical record of middleman-minority responses to host-society hostility as well as the reactions of host societies to middleman-minority activities. Similarly, the relation between sojourning and self-employment is at best ambiguous and certainly not validated by the American experience. There is little evidence and numerous counterexamples to the hypothesis that ethnic solidarity bars the route to either business expansion or the employment of outsiders. The hardly representative instances of Japanese- and Chinese-American entrepreneurs apart, immigrant groups active in small business have tended toward high levels of internal competition, dooming efforts toward self-regulation.[17]

Most importantly, the argument that ethnic enterprise in modern societies is a carryover of earlier middleman-minority situations is unfounded. If concentration in peripheral, low-status activities defines the contemporary small-business class, the position of traditional middleman-minorities encompassed a much wider range of pursuits circumscribed by their relationship to state power. The symbiosis between middleman-minorities and traditional elites was the condition of all middleman activities. The freedom of peddlers and petty traders hinged on the services that middleman elites rendered to the emerging state through banking, tax-collecting, estate management, and later, industrial development. Thus, the economic ambit to which middleman-minorities had access grew up under patterned social relationships; hence, their historical role cannot be conceptualized without reference to the structure of their host societies and to the ways in which that structure created a demand for middleman pursuits.

These disparities in contexts and functions suggest a qualitative distinction: traditional economies in which middleman-minorities act as the engine of exchange relationships; and market economies, with peripheral, if still dynamic, ethnic enclaves. But, once we drop the assumption that immigrant business owners in capitalist societies are identical to the middleman-minorities of the pre-industrial past, then we can appreciate the importance of strictly market-based factors as pre-conditions of ethnic enterprise in the very case that Bonacich and Modell discuss. Land in Los Angeles was available to Japanese farmers because the city encroached on large holdings as it grew, and growth made extensive investments too costly and too uncertain for capital-intensive farming. As large-scale agriculture receded, land was bought by real estate investors who sought to rent out small parcels until higher yielding uses could be realized – speculative practices that coincidentally lowered the costs of capitalization for would-be Japanese truck farmers. In contrast to pre-capitalist or developing societies, in which middleman-minorities interject market relations into nonmonetized sectors, thereby undermining traditional producers, the role of Japanese farmers never altered the fundamental structure of truck farming. Nor did their basic orientation toward the market vary from that of their non-Japanese competitors since both sought to maximize profits.

A theory of immigrant enterprise

The cultural and middleman-minority approaches are not so much wrong as they are incomplete. A penchant for risk-taking, a preference for independence, the existence of ethnic economic organizations – all of these culturally-bound phenomena will facilitate the setting up of a new firm and making it a success. But setting up a new firm is neither a trivial nor a random event. Industries vary considerably in the degree to which they breed new-business births. For example, services made up the largest share (38 percent) of the 1,031,000 net new business formed in the United States between 1976 and 1982, followed by the finance, insurance and real estate and construction sectors (accounting for 14 percent and 13 percent, respectively, of all new firms). By contrast, manufacturing and transportation, communications and technology lagged behind, together producing only 9.3 percent of all net business births.[18] Business births and deaths cannot be tracked by the ethnicity of their owners, but minority self-employment rates (which include black, Asian, and Hispanic immigrants) can be disaggregated by industry: what we find is that minority-business owners are overrepresented in trade and services, suggesting that these are the sectors where the bulk of new minority and immigrant businesses are born.[19] The point is that structural barriers – technology, capital needs, the level of competition – define the contours for the emergence of new firms. Hence a culturally-induced propensity for business may be a necessary, but not a sufficient, condition of entrepreneurial success.

In the sections that follow, I will argue that (1) access to ownership positions and (2) a niche in which the small firm can viably function comprise the sufficient conditions of immigrant business development. The first point is a reminder that immigrants usually have fewer resources than natives; if ownership positions are equally coveted by immigrants and nationals, then the former are not likely to win out. But recruitment to ownership may function similarly to those processes of recruiting immigrant labor detailed in Michael Piore's *Birds of Passage*.[20] That is, natives opt out of the supply of potential owners in a particular industry, perhaps because ownership in the industry generates too little status, perhaps because its economic rewards are insufficient to retain them compared to the alternatives available. If this is the case, then there may be a replacement demand and immigrants could then enter the industry to fill the ownership positions vacated by the natives.

But this condition presupposes (a) that the small firm is a viable entity and (b) that the existing small-business industries can be penetrated with the immigrants' limited resources. The literature on industrial organization identifies several barriers to the creation of new firms. Of these impediments, the most important are economy of scale barriers, absolute cost barriers, and product differentiation barriers; as I shall argue in the pages that follow, immigrant businesses proliferate where product market characteristics tend to keep such barriers low.[21]

It is in assessing what will happen in the existence of small-business niches and vacancies for small-business owners, that the cultural and middleman approaches are helpful. Immigrants will be more likely to succeed should they possess a pre-disposition toward business although, as we have argued, that predisposition is likely to be most developed among immigrants whose original environment bears a significant resemblance to their adopted society.

Ethnic resources are another necessary condition of business success, and middleman and cultural approaches are correct in underlining the importance of ethnic solidarity. However, their assessment of these resources is incomplete, in part, because their mode of approach is the ethnic case study. This tells us much about how ethnic businesses operate, but provides little information on how ethnic firms are distinguished from native competitors and therefore makes it difficult to understand whence the advantages of the ethnic businesses stem.

A second, and more important point, is that ethnic resources will generate a competitive edge if they provide a better fit with the environment in which the ethnic business functions. Even in low-barrier industries, there are significant liabilities associated with newness – how to learn and master new roles, how to wean away customers from their old vendors, how to establish trust – and the weight of these liabilities is evidenced by the high death rate among new concerns.[22] Moreover, small businesses, whether new or established, confront an additional set of problems by virtue of their smaller size. One such difficulty is access to finance; how ethnic firms might resolve this problem is handled quite nicely by both cultural and middleman approaches. Not considered by these approaches, however, is the fact that small firm industries tend to have an unstructured labor market in the sense that there are few established institutions by which jobs are matched with workers and skills and maintained and transmitted; hence, a critical problem of the small firm is securing a skilled and attached labor force. I argue that immigrant firms in small-business industries enjoy a competitive advantage because the social structures of the ethnic community provide a mechanism of connecting organizations to individuals and stabilizing these relationships.

The opportunity structure for immigrant enterprise

The first precondition for business development is a need that the immigrant firm can service competitively. Such demands arise first in the immigrant community, which has a special set of wants and preferences that are best served, and sometimes can only be served, by those who share those needs and know them intimately, namely, the members of the immigrant community itself. Generally, those businesses that first develop are purveyors of culinary products – tropical goods among Hispanics, for example, or Oriental specialties among the Asians. Businesses that provide "cultural products" – newspapers, recordings, books, magazines – are also quick to find a niche in the immigrant community. The important point about both types of activities is that they involve a direct connection to the immigrants' homeland and knowledge of tastes and buying preferences – qualities unlikely to be shared by larger, native-owned competitors.[23]

Immigrants also have special problems – caused by the strains of settlement and assimilation and aggravated by their distance from the institutionalized mechanisms of service delivery. Consequently, the business of specializing in the problems of immigrant adjustment is another early avenue of economic activity, and immigrant-owned travel agencies, law firms, realtors, or accountancies are common to most immigrant communities. Such immigrant businesses frequently perform a myriad of functions far above the simple provision of legal aid or travel information and reservations.

To a large extent, these are services that are confidential, unfamiliar, and unintelligible to the newcomer unaccustomed to American bureaucratic procedures. In some cases, they may impinge on the often dubious legal status of the immigrant and his or her family. Whichever the case, trust is an important component of the service, and the need for trust pulls the newcomer toward a business owner of common ethnic background. To this tendency may be added a factor common to many of the societies from which the immigrants come, namely, a preference for personalistic relationships over reliance on impersonal, formal procedures. This further increases the clientele of those businesses that specialize in problems of adjustment.[24]

If immigrant business stays limited to the ethnic market, then its potential for growth is sharply circumscribed, as Howard Aldrich has shown in his studies of white, black, and Puerto Rican businesses in the United States and (in research conducted with Cater, Jones, and McEvoy) of East Indian and white businesses in the United Kingdom. The reason is that the ethnic market can support only a restricted number of businesses both because it is quantitatively small and because the ethnic population is too impoverished to provide sufficient buying power. Moreover, the environment confronting the ethnic entrepreneur is severe: because exclusion from job opportunities leads many immigrants to seek out business opportunities and consequently, business conditions in the ethnic market tend toward a proliferation of small units, overcompetition, and a high failure rate – with the surviving businesses generating scanty returns for their owners.[25]

However, these conclusions may be too pessimistic in at least two respects. First, not all immigrant communities have enjoyed so few economic resources as blacks and Puerto Ricans in the United States and east Indians in the United Kingdom. One case in point is that of New York's Jewish community in the 1920s. As Jews moved into the lower middle and middle classes they also dispersed from the tenement districts of the lower East Side; their search for better housing created a market for Jewish builders who evaded restrictive covenants by constructing new housing and then recruiting Jewish tenants.[26] While the real estate and construction firms that grew up in the 1920s have since extended far beyond the confines of the ethnic market, the initial demand for housing from co-ethnics provided the platform from which later expansion could begin. A similar process is being played out in New York's Asian communities today where the housing needs of the growing Asian middle class have attracted Asian capital and stimulated the emergence of an Asian real estate industry.

The immigrant market may also serve as an export platform from which ethnic firms can expand. For example, Greeks started out in the restaurant trade serving co-ethnics looking for inexpensive meals in a familiar environment. This original clientele provided a base from which the first generation of immigrant restauranteurs could branch

out. More importantly, the immigrant trade established a pool of skilled and managerial talent that eventually enabled Greek owners to penetrate beyond the narrow confines of the ethnic market and specialize in the provision of "American food."[27] In the 1980s, Dominican and Colombian immigrants active in the construction contracting business in New York City appear to be playing out a similar development. Most of these immigrant business owners are engaged in additions and alterations work for an immigrant clientele; what leads these immigrant customers to patronize co-ethnics is not so much a search for savings as a preference for reliability, vouchsafed for by the immigrant contractor's reputation in the community to which he is linked.[28] These initial jobs are important in two respects. First, they are small and therefore allow immigrants to start out at a relatively low level. Secondly, the ethnic demand has supported immigrant contractors in assembling a skilled labor force and gaining efficiency and expertise, qualities that are gradually allowing them to edge out into the broader market.

But these examples notwithstanding, Aldrich's strictures still hold: the growth potential of immigrant business hinges on its access to customers beyond the ethnic community. The crucial question, then, concerns the type of market processes that might support neophyte immigrant capitalists.

As noted earlier, the structure of industry is a powerful constraint on the creation of new business organizations. In that part of the economic world dominated by the demand for standardized products, scale economies, high absolute costs, and product differentiation bar the path of entry to new immigrant concerns. But there are certain products or services where the techniques of mass production and mass distribution do not pertain. It is in these markets – most often affected by uncertainty or differentiation or relatively small size – where the immigrant firm is likely to emerge:

(a) *Low economies of scale.* As an industry where the entrepreneur is likely to be his or her own boss and nothing but that, the taxi industry illustrates one path of immigrant entry into small business.[29] The reasons for immigrant concentration in this field lie in the cost structure of the taxi industry and in the barriers it presents to the realization of economies of scale. Economies of scale arise when the fixed costs of any operation can be spread over larger units so that the average cost per unit declines. However, the importance of economies of scale depends, in part, on the ratio of fixed to variable costs.

What is distinctive about the taxi industry is that none of the most crucial cost components – wages, benefits, and gasoline – is fixed; rather, they vary directly with the number of vehicles. Consequently, the ability of the taxi operator to lower costs by building up a fleet of taxis is highly constrained. The owner of two or possibly three taxis achieves the greatest possible scale economies; by contrast, a fleet of, say, twenty to thirty cars operates at essentially the same costs as the owner-operator of a single cab. Though scale economies at the firm level are thus negligible, one can attain sizeable reductions in fixed costs by keeping the vehicle under the wheel for a longer period of time. One possibility is to hire operators to keep the cab busy for two shifts or possibly more. But an alternative exists if there's a supply of owner-operators amenable to self-exploitation, in which case working long hours results in the same economies of scale.[30] Immigrants' restricted opportunities make them more likely to work long hours than natives (see below); hence, the taxi industry is a field in which immigrant business has grown because the characteristics of this industry are congruent with immigrants' economic orientations.

(b) *Instability and uncertainty.* The basic notion of economies of scale, as noted above, associates declining average unit costs with increases in the number of goods produced. However, the length of time over which the flow of output will be maintained is an equally crucial factor. Where demand is unstable, investment in fixed capital and plant is likely to be endangered. And, if product requirements change frequently, the learning curve is low because there is little time for workers to build up specialized proficiencies. Hence, when demand is subject to flux, versatility is preferable to specialization, and smaller units gain advantages over large.[31]

As Michael Piore has argued in his studies of economic dualism, industrial segmentation arises when demand falls into stable and unstable portions and the two components can be separated from one another. Where these conditions hold, we can expect an industry to be segmented into two branches: one, dominated by larger firms, that handles staple products; and a second, comprising small-scale firms, that caters to the unpredictable or fluctuating portion of demand. The consequence of this type of segmentation is that the two branches tend to be noncompeting; hence, where segmentation arises, it offers a sheltered position to small firms of the type that immigrants might establish.[32]

Such is the case in the garment industry, where large firms predominate in the staple-product categories but are kept out of fashion-sensitive markets whose terrain is better suited to small firms that can nimbly respond to the least predictable alterations in consumer taste. Fashion design and merchandising centers like New York, Los Angeles, and Miami also function as spot markets specializing in the production of styled items and overruns of more standardized goods; immigrant

garment firms have thrived under these conditions because they favor small firms with flexible work arrangements and simple production-line technologies.[33] Roughly the same pattern characterizes the construction industry, with similar implications for immigrant business. One case in point is Carmenza Gallo's study of construction businesses in New York City, which shows that the building trades have provided the staging ground for new immigrant firms that specialize in residential and renovation work. The reason for this is that competition with larger, native firms for the residential and renovation market is limited. Large construction firms dominate the market for commercial and institutional building, where the projects are large and the lead times long. By contrast, small firms predominate in the highly volatile residential and renovation sectors, where the demand is highly fragmented and the dollar value of contracts is considerably smaller.[34]

(c) *Small or differentiated markets.* Still another environment favorable to small immigrant firms is one in which the market is too small or too differentiated to support the large, centralized structures needed for mass production or distribution. One such example is the retail grocery industry in New York City, where the structure of the market is unfavorable to the large supermarket chains that dominate the industry nationally. One crucial reason for the weakness of the chains is the complexity of the New York market, whose heterogeneous mix makes it a quagmire for national chains with cumbersome and rigid central administrations. While chains reduce distribution costs by carrying only a few basic product lines, servicing the tastes of New York's varied populace is more costly since it requires a much more diversified line than usually carried. Similarly, the chains attain economies of scale in overhead by centralizing administrative functions, but to ensure that ethnic tastes are efficiently serviced – for example, stocking Passover goods in stores located in Jewish neighborhoods, but not in black neighborhoods, or providing West Indian specialties in a Jamaican neighborhood, but not in the nearby Dominican area – a shorter span of control is preferable.

Thus, not only are large firm concentration shares lower in New York than elsewhere but also the national chains that dominate the industry in the rest of the country have ceded place instead to locally based chains whose territory is often limited to one or two of New York City's five boroughs. These local chains are sufficiently small to process information about New York's highly differentiated market segments and then service those needs appropriately. On the other hand, because they are relatively small, these local chains also lack the economies of scale needed to achieve significant market power, with the result that food retailing has been easily penetrated by smaller, ethnic concerns that compete with very considerable success against their larger counterparts.[35]

In conclusion, what distinguishes the variety of processes giving rise to immigrant business is an environment supportive of neophyte capitalists and the small concerns that they establish. 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, but also because the costs of learning the specific wants and tastes of the immigrant groups are such as to discourage native firms from doing so, especially at an early stage when the community is small and not readily visible to outsiders. If the ethnic market allows the immigrant to maintain a business at somewhat higher than average costs, the other processes outlined above reduce the cost difference between native and immigrant firms. Low capital-to-labor ratios keep entry barriers low, as in the taxi, garment, and construction industries; and we can predict that immigrant businesses will be most common in industries such as these. Where there are problems in substituting capital for labor, because changes in demand might idle expensive machines, immigrant businesses with labor-intensive processes can operate close to the prevailing efficiencies; the same holds true when small markets inhibit the realization of economies of scale.

Access to ownership

Given the existence of markets conducive to small business, the would-be immigrant capitalist still needs access to ownership opportunities. At the turn of the century, rapid economic growth created new industries, allowing immigrants to take up business activities without substantial competition from or displacement of natives. The classic case is that of the garment industry, which became immigrant-dominated because the massive tide of Italian and Jewish immigration to New York occurred just when the demand for factory-made clothing began to surge. But, in the economy of the late twentieth-century United States, growth proceeds more slowly, there are fewer opportunities for self-employment, and until recently the ranks of the self employed have been diminishing. Thus, the conditions of immigrants' access to ownership positions largely depend on the extent to which natives are vying with immigrants for the available entrepreneurial slots. If these positions are coveted by natives and immigrants, then natives should capture a disproportionate share. But, if the supply of native owners is leaking out of a small-business industry, then immigrants may take up ownership activities in response to a replacement demand.[36]

What are the conditions under which a replacement demand might arise for the new immigrants who have arrived in U.S. cities since the

liberalization of immigration laws in 1965? In most large cities, the small-business sector has been a concentration of European immigrants and their later generation descendants. The last date for which we have information for both the immigrant and the foreign-stock population is 1970; at that time, the proportion of all self-employed in the five largest SMSA's who were first or second generation European ethnics ranged from a high of 57 percent in New York to a low of 30 percent in Los Angeles. Both immigrants and the foreign stock were overrepresented among the self-employed in all five SMSA's; but, in all five cases, rates of self-employment were lower in the second than in the first generation.[37]

Thus, the initial placement in small business is giving way to a pattern more squarely based on salaried employment; how this evolution is taking place is exemplified by the case of the Jews. Jews migrating from Eastern Europe at the turn of the century moved heavily into small business for a variety of historical reasons. Their arrival coincided with the massive expansion of small-business industries; this made it possible for them to utilize previously acquired entrepreneurial skills and habits and also pursue a culturally and religiously induced preference for independence and separation; finally, the tendency to concentrate in business was reinforced by discrimination, which at the upper white-collar level persisted well into the 1960s.[38] However, assimilation, occupational advancement, and the dwindling of corporate discrimination have diluted the Jewish concentration in small business.

Analysis of the 1965 and 1975 Boston Jewish Community Surveys found that "while almost a quarter (23 percent) of the 1965 heads of households were self-employed outside the professions, only one in seven (14 percent) were so employed in 1975"; moreover, the ratio of business owners was higher for almost all age cohorts in 1965 than was the case in 1975.[39] Similarly, the 1981 New York Area Jewish Population Survey found consistently declining rates of self-employment from first generation to third, with much higher levels of education in the latter generation, suggesting that much of its self-employment was concentrated in the professions rather than in business.[40] Finally, results from a study that examined Jews as well as a variety of Catholic ethnic groups (French Canadians, Irish, Italians, and Portuguese) in Rhode Island in the late 1960s show that "without exception the level of self-employment of fathers was higher than the level of self-employment of sons and the proportion of fathers of the oldest cohort who are self-employed is higher than that of fathers of the youngest cohort."[41]

This tendency toward greater salaried employment as part of a shift toward higher positions in the social structure sets in motion a vacancy chain. Small businesses generally experience a very high rate of failure, and consequently a population must produce large numbers of new owners just to maintain its existing size. But, as I have argued above, the younger cohorts and later generations among European ethnic groups are less likely to be self-employed business owners; hence, opportunities for immigrant business are freed up as older ethnic firms either go out of business or fail to transfer ownership to the next generation.

Two cases illustrate how this process takes place. New York's garment industry has been a province of Jewish and Italian businesses since the industry first grew up at the turn of the century. Historically, the average garment firm enjoyed an abbreviated life expectancy, but the availability of aspiring Jewish and Italian owners kept the supply of new entrepreneurs high. However, new immigrants now account for virtually all of the new business births of garment-contracting firms, which perform jobs to specifications set by larger "manufacturers" that design and sell the goods. By contrast, start-ups of contracting businesses by Jews and Italians have ceased; and, though Jewish and Italian contracting firms are still numerous, they are all long-established businesses, usually run by older owners close to retirement age.[42] A similar set of circumstances favored the proliferation of Korean fruit and vegetable stores in New York City, starting in the early 1970s. As Illsoo Kim explains in his book on *The New Urban Immigrants*:

> The majority of Korean retail shops . . . cater to blacks and other minorities by being located in "transitional areas" where old Jewish, Irish and Italian shopkeepers are moving or dying out and being replaced by an increasing number of the new minorities. . . . Korean immigrants are able to buy shops from white minority shopkeepers, especially Jews, because the second- or third-generation children of these older immigrants have already entered the mainstream of the American occupational structure, and so they are reluctant to take over their parents' business. In fact, established Korean shopkeepers have advised less experienced Korean businessmen that "the prospect is very good if you buy a store in a good location from old Jewish people."[43]

What the garment and retail examples further indicate is that succession takes place in a patterned way: while the most competitive, lower-status fields are abandoned, higher-profit, higher barrier-to-entry lines retain traditional ethnic entrepreneurs. Thus in food retailing, grocery store ownership passes from Jews and Italians to Koreans, but the wholesalers and food processors that supply these new ethnic concerns remain wholly dominated by older entrepreneurial groups.[44] Similarly, in the garment industry, immigrant entrepreneurs play an important role, but they do so as contractors working for manufacturers that are invariably Jewish- or Italian-owned concerns. Thus, complementarity, rather than competition, characterizes the links between new and old small-business groups.[45]

Predispositions toward entrepreneurship

The reasons why immigrants emerge as a replacement group rest on a complex of interacting economic and psychological factors. Blocked mobility is a powerful spur to business activity. Immigrants suffer from a variety of impediments in the labor market: poor English-language facility; inadequate or inappropriate skills; age; and often, discrimination.[46] Lacking the same opportunities for stable career employments as natives, immigrants are more likely to opt for self-employment and to be less averse to the substantial risks entailed. The limited range of job and income-generating activities is also an incentive to skill acquisition. Native workers will tend not to acquire particular skills if the returns to the needed investment in education and training are lower than for comparable jobs. By contrast, the same skills might offer the immigrants the best return, precisely because they lack access to better-remunerated jobs. As Bailey has shown, this is one reason for the prevalence of immigrants in the restaurant industry, where managerial and skilled (cooking) jobs offer lower returns to investment in training than other comparable skilled and managerial jobs.[47] Immigrants' willingness to put in long hours, needed to capitalize a business or maintain economies of scale, is similarly conditioned. For those without access to jobs with high rates of hourly return, such activities as driving a cab or running a store from early morning to late night offer the best available rewards for their work effort.

There are also psychological components to the entry of immigrants into small business. Much of the sociological literature has characterized the small-business owner as an anachronistic type impelled by a need for autonomy and independence.[48] Auster and Aldrich note that this approach assumes that entrepreneurship reflects the decisions of isolated individuals and thus ignores the issue of why certain groups disproportionately channel new recruits into small business.[49] Moreover, the traditional perspective also fails to account for the social pressures that condition groups and individuals for small business activity, among which the immigration process itself should be counted.

Immigration involves a process of self-selection, in which the more able and better-prepared workers enter the immigration stream. In contrast to other groups in the low-wage labor market, where labor-force participation competes with alternative social attachments, immigrants are at once more motivated, more willing to take risks, and better prepared to adjust to change.[50] The original society also conditions them for adaptability to small-business routines. Michael Piore has suggested that immigrants have a more favorable view of low-level work in industrial countries than do natives because the migrants view their job in terms of the much different job hierarchy of their home societies.[51]

Quite the same disparity would give the immigrant a distinctive frame of reference from which to assess the attractiveness of the small business that opens us as previously incumbent groups move on to other pursuits.

Ethnicity as resource

Ethnicity is a resource insofar as the social structures that connect members of an ethnic group to one another can be converted into business assets. These connections lend ethnic businesses a competitive edge against native competitors because (a) they provide a mechanism of organizing an otherwise unstructured labor market; and (b) they provide a mechanism for mediating the strains in the workplace and providing a normative basis on which the rules of the workplace can be established. In the discussion that follows, these two points will be treated separately.

The labor market in small-business industries tends to be unstructured in that it contains "few, if any established institutions by means of which people obtain information, move into and out of jobs, qualify for advances in rank or pay, or identify themselves with any type of organization . . . for purposes of security or support."[52] The reasons why stable labor-market arrangements are undeveloped are various: work contracts are of short and uncertain duration due to sensitivity to seasonal or cyclical factors; the persistence of competition places a limit on firm size (and thereby on the articulation of internal, structured job ladders) and also reduces the profit margins needed to pay for training workers in specific skills; and general skills that can be carried from one firm to another are usually required, which means, however, that one firm is reluctant to make an investment in training that will redound to another firm's gain.[53]

Because small firms therefore rely on the external labor market, a chief problem is how to secure and maintain a trained labor force. One option is to lower skill levels so that the costs of training can be drastically reduced, and this is the path that many small, low-wage employers in the "secondary labor market" have apparently pursued. As Piore has argued, jobs in the secondary sector "are essentially unskilled, either requiring no skill at all, or utilizing basic human skills and capacities shared by virtually all adult workers."[54] One case is that of the fast-food restaurant where the worker has been converted into an assembler and packer whose skills can be learned in a matter of hours.[55]

What the fast-food case also shows is that deskilling is only an alternative when demand is standardized and tasks can then be broken down into repetitive components. However, this is the definition of mass production; and many businesses arise in niches where specialty, not mass production, is required. This is the case in construction, where new buildings are often custom-made jobs and also in the fashion segments of apparel, where only small batches of highly varying products are made. Where specialty work prevails, jobs involve a variety of tasks; the ability to adjust to changing job requirements and perform them with proficiency is precisely what is meant by skill.

Thus, the central issue confronting small firms is how to increase the probability of hiring workers who are capable of learning required skills and will remain with the firm and apply their skills there. One recruitment practice widely favored in industry is to recruit through "word-of-mouth" techniques. Word-of-mouth recruitment appeals to employers for three reasons. Workers hired tend to have the same characteristics as those friends or relatives who recommend them; employees concerned about their future tenure in the plant are unlikely to nominate "bad prospects"; and, finally, new hires recruited through word-of-mouth channels are likely to be subject to the informal control of their associates once they are placed on the job.[56]

Consider now the possibilities in an industry like clothing or restaurants or construction, where nonimmigrants and immigrants both own firms, but the first group recruits a heterogeneous pool of workers, all of different ethnicities, while the second recruits primarily through ethnic networks. The logic of word-of-mouth recruitment is that applicants resemble the existing labor force, but, in the first case, social distance between native employer and immigrant employee makes it difficult to accurately discern the characteristics of the incumbent workers. As an example, many nonimmigrant owners have but the vaguest impressions of the national origins of their workers; thus ask a nonimmigrant factory owner whether his Hispanic workers are Puerto Rican or Dominican and the answer is likely to be: "How do I know? They all speak Spanish. They're from the islands, somewhere." Furthermore, the presumption of trust inherent in the process of assembling a skilled work force through word-of-mouth recruitment is frequently weak or absent under the conditions that seem prevalent in industries that employ large numbers of immigrants and minorities. For example, the principal complaint among personnel managers of supermarkets and department stores whom I interviewed as part of a study of youth employment was about the high level of theft among the largely minority, inner-city youth hired to work in their stores.[57] These comments recall Elliot Liebow's finding that stealing from employers was a prevalent practice among the black streetcornermen whom he studied, but so was the assumption among employers that their workers will steal, resulting in a consequent reduction in the level of remuneration.[58] Trust is further weakened when ethnic differences separate workers from employers.

In some cases, this is due to stereotyping on the part of immigrant labor and native management alike – a matter to which I shall return in greater detail below. But it may also be that the situational constraints provide little room for trust to grow up. For instance, many immigrants in an industry like garments work under assumed names, thus making their very identity uncertain. Similarly, a work force may be prone to high levels of turnover – which may occur because of seasonality or because of frequent travel or return migration to the immigrants' home societies – but, whatever the cause, high turnover will hinder the development of stable relationships on which trust might be based. A firm with high turnover is also apt to be caught in a vicious circle since the costs of constantly hiring make it uneconomical to exercise much discretion over the recruitment process.[59]

Now, take by contrast the immigrant firm. Immigrant owners can mobilize direct connections to the ethnic community from which they come in order to recruit an attached labor force. One means of securing a labor force is to recruit family members; unlike strangers, the characteristics of kin are known and familiar; hence, their behavior is more likely to be predictable, if not reliable; and, futhermore, trust may already inhere in the family relationship. Thus, Korean greengrocers tend to employ family members or other close relatives in the hope of "eradicating 'inside enemies' – non-Korean employees who steal cash and goods or give away goods to their friends or relatives who visit the store as customers."[60]

Of course, while some ethnic businesses may pivot around nuclear or perhaps extended family relationships, the average size of many businesses makes it necessary to extend beyond the family orbit. Still, kin can be used to secure key positions. Moreover, immigrants can also recruit through other closely knit networks that will bring them into contact with other ethnics to whom they are tied by pre-existing social connections. For example, migration chains often link communities in the Dominican Republic to Dominican-owned garment factories in New York City.[61] Similarly, Chinese immigrants may gravitate toward immigrant owners who speak the same dialect as they – and thus a Toisanese-speaking newcomer may opt for a Toisanese-speaking owner as against one who only speaks Cantonese. Moreover, trust may be heightened if an immigrant culture contains mechanisms for transforming friendship relations into fictive kinship relations. For example, *compradazgo* relationships between a child and godparents and between the parents and godparents are common to many Latin American societies and are seen as functional equivalents to kinship relationships. Similar relationships of fictive kinship are constructed among the Chinese.[62]

Ethnicity might also serve as a mechanism for mediating the strains in the workplace and providing the normative basis on which the rules of the workplace might be established. In the literature, there are two conflicting descriptions of the industrial-relations environment of the small firm. On the one hand, researchers working in the dual labor-market framework have argued that the small firm is riven by antagonism: supervision is tyrannical and capricious; there are no formal grievance procedures through which workers can seek redress for their complaints; and management and workers are caught in a vicious circle in which workers respond to the harsh exercise of discipline with further insubordination.[63] On the other hand, research investigating the "size effect" indicates that small firms garner favorable ratings when checked against large concerns on turnover levels, propensity to strike, job satisfaction, and a variety of other indicators.[64]

If size per se is unlikely to yield a particular industrial-relations environment, these contrasting findings suggest that industrial-relations outcomes are the product of the interaction of size with other factors. Compare the small concern to the large business, which is governed, not only by a web of formal rules (promulgated by management or negotiated through collective agreements with unions),but also informal understandings about how tasks are to be performed and jobs are to be allocated. Such understandings originate on the plant floor because workers, if put into stable and constant contact with one another, tend to form communities, with norms, expectations, and rules of their own. These rules are often contested by management; and, in unionized settings, much of the bargaining appears to center on the scope and permanence of these rules. Yet, the tendency is for management to abide by central rules and seek change on the margins. The reasons are two-fold. First, workers have the economic power to punish management for breach of the customary workplace rules. Secondly, management, especially at the lower levels, is socialized into the rules of the workplace as well and, to some extent, belongs to the work group itself.[65] This being said, we can now assess the possible effects of ethnicity on industrial-relations patterns in small firms.

As I argued above, small firms where management and labor are ethnically distinctive have difficulty stabilizing the employment relationship. One consequence of their failure to do so is that turnover tends to be too rapid to permit the formation of social groups in which customary work norms might be embedded. Moreover, even where such groups take cohesive form, social distance between management and immigrant labor tends to preclude managerial acceptance of work-group norms. In part, this is because ethnic behavioral patterns are often so divergent that simple stylistic differences are perceived in deeply threatening ways.[66] The conditions of duress that so often confront small firms (bottlenecks, short delivery deadlines, understaffing, etc.) further contribute to antagonism. Repeated conflict over production quotas, behavioral rules, absenteeism, and instability tends to take on an explicitly racial character as management interprets workers' behavior in racially stereotyped ways. And, when immigrant or minority workers are employed by members of the majority group, the economic disparities between the two groups fuel discontent with wages, personnel policies, and general working conditions, making work just another instance of inequitable treatment.[67]

By contrast, ethnicity provides a common ground on which the rules of the immigrant workplace are negotiated. In the previous section, I argued that the social structures around which the immigrant firm is organized serve to stabilize the employment relationship. However, these social structures are also relations of meaning suffused with the expectations that actors have of one another. One consequence is that authority can be secured on the basis of personal loyalties and ethnic allegiance rather than harsh discipline, driving, and direct control techniques. Furthermore, ethnic commonality provides a repertoire of symbols and customs that can be invoked to underline cultural interests and similarities in the face of a potentially conflictual situation. On the other hand, custom also serves as a constraint on employers' behavior. Immigrant owners who hire kin or hometown friends are expected to show that the employment relationship is more than a purely instrumental exchange, by making a place for workers' newly arrived relatives, by accommodating work rules to employees' personal needs, and by assisting workers with problems that they encounter with the host society. Moreover, it is anticipated that the standards of conduct that prevail in the broader ethnic community will extend to the workplace as well. As Bernard Wong has pointed out, little loyalty is given to the Chinese garment employer who fails to show "*yan ching*" (human feelings) or "*kan chin*" (sentimental feeling); and, if problems arise in keeping a stable work force, the employer stands not only to lose money but to lose "face."[68]

Opportunities and entrepreneurial behavior

Thus immigrant business develops as a result of the interaction between the opportunity structure of the society and the social structure of a particular immigrant group. One advantage of this approach is simply that it offers a more complete explanation than the other research frameworks. The second advantage is that it offers a dynamic perspective in which feedback processes link opportunities to the behavioral patterns and aspirations of the immigrant group.

One way in which this happens is through the accumulation of advantages. Once an immigrant economy is in place, it tends to attract a disproportionate number of new immigrant workers who gravitate toward immigrant firms because this is where jobs can be easiest found and where the working conditions are most comfortable. For example, immigrant-owned clothing firms in New York's garment industry tend to hire the newly arrived friends and relatives of workers already employed in the plant; and, as Bailey has noted, some immigrant restaurants serve as way-stations where recent immigrants who know friends and relatives of the owners can earn a little money and make contacts while they are looking for a job. Thus, if privileged access to the immigrant labor force is an initial condition of business success, that access tends to widen as the immigrant business sector grows.[69]

Secondly, the development of an ethnic economy provides both a catalyst for the entrepreneurial drive and a mechanism for the effective transmission of needed business skills. As the immigrant sector grows, it creates a pool of potential role models whose success reinforces the drive for independence. Interviews with Hispanic and Chinese immigrant owners in the clothing industry, for example, indicated that their perceptions of opportunities were often linked to the experiences of other immigrants within their reference group. As one Chinese garment-factory owner put it: "My boss was making money, so I decided to go into business for myself." Growth takes place through a process of imitation, in which the social structures of the immigrant community serve to diffuse information about a new innovation. Initial business success signals the existence of a supportive environment, thereby encouraging other, less adventurous members of a group to follow suit.

Thirdly, the social arrangements characteristic of the immigrant firm increase the likelihood that immigrant workers can acquire the know-how that the role of ownership will entail. Skills are relatively easy to pick up in the small immigrant firm, where responsibilities are flexibly defined; and, because of understaffing, jobs often include several tasks. Family members, brought in with the expectation that they will help out in various aspects of the business, thereby gain the chance to acquire not simply managerial training but also those contacts to suppliers and customers needed for business success. As I've argued, the immigrant owner creates the basis for trust by recruiting through the immigrant community; this also promotes the delegation of authority to co-ethnic employees as opposed to conditions in the native-owned firm, where prejudice often confines immigrants to low-skilled jobs.

For example, few native-owned restaurants in New York hire immigrants as either managers or waiters, but immigrants are employed in both of these positions throughout the immigrant-restaurant sector.[70]

While the immigrant sector gains new entrants on the basis of imitation, expansion may also have a dynamic effect on the customer base. Economies of agglomeration occur when firms proliferate and attract additional customers drawn by the size and diversity of the physical marketplace – as in the case of stores that draw in passerby traffic from customers patronizing other nearby shops. Such agglomeration economies play a catalytic role for immigrant merchants catering to the distinctive tastes of their co-ethnics since the size of the market provides a scope for specialists whose services would otherwise not be in sufficient demand.

As small ethnic businesses grow in both number and capability, the external environment may also become more supportive. One reason is that the expanded size of the ethnic economy may make it profitable for other businesses (ethnic or not) to specialize in supplying the particular needs of ethnic concerns, which in turn will promote the proliferation of additional, new ethnic businesses. A second reason is that the surplus generated by the "export activities" of ethnic businesses – that is to say, the revenues produced through transactions with nonimmigrant customers – loops back into the ethnic economy, producing multiplier effects. Thus, a certain percentage of the wages earned by immigrant workers in the "export activities" of the immigrant sector will be spent for ethnic products or services supplied by other co-ethnics. Similarly, some portion of profits will be plowed into investments that add to the size of the ethnic economy. In both these cases, ethnicity and opportunity interact: the more distinctive ethnic consumer tastes are, the more likely immigrants are to patronize immigrant-owned firms; the more reliant are immigrant capitalists on their co-ethnics as either customers or employees, the more likely are their investments to flow back into the community rather than gravitate outside. Thus, in a highly self-sufficient community like New York's Chinatown, the expansion of the Chinese garment industry has meant a vast increase in expenditures for local ethnic supplies and services. Similarly, a large proportion of the annual profits generated by the Chinese garment industry – estimated at $11 million in 1981 – is reinvested in other garment factories, Chinese restaurants, real estate, or Chinese fast-food storefronts.[71]

Opportunity and constraint in ethnic business growth

An alternative to the argument developed so far would suggest that immigrant firms are privileged only in their ability to exploit the immigrant work force. By hiring through the ethnic networks, immigrant employers engage their workers in a sponsor/client relation whose claims extend far beyond the cash nexus. Workers entangled in close sponsor/client relationships may be inhibited, not only from pressing for better wage and working standards, but also from setting out into business on their own.

The probability of movement out of the ethnic firm depends on the broader structure of opportunities in which ethnic enterprise emerges. Where immigrants are institutionally segregated from the broader labor market or highly dependent on ethnic trade, as I argued earlier, immigrant employers can effectively use the threat of exclusion or ostracism to effectively maintain control and stability. Mobility may also be hindered if ethnic elites establish formal structures that regulate intraethnic economic activity, such as the trade guilds and marketing organizations that were common among Chinese-Americans and Japanese-Americans in the early twentieth century.[72]

In the current context, several factors, most importantly the reduced level of competition with natives and the growth state of the immigrant economy, diminish the potential for a captive labor force. Efforts to regulate business activity have arisen on occasion among the Chinese and Koreans, but they have foundered against the immigrant entrepreneur's incessant search for individual opportunity. This follows from the argument made above, namely that the growth of an ethnic business tends to increase the rate of ethnic firm formation, by providing a spur to ambition among would-be immigrant capitalists and facilitating their acquisition of needed business skills.[73]

Furthermore, where the immigrant firm services an open market – as is the case for Chinese clothing manufacturers, Greek restaurants, or Korean vegetable and fruit dealers – workers who seek to go out on their own can do so with little punitive threat. Since these businesses involve market relationships to outsiders, trust between sellers and customers is of reduced importance and performance is judged according to abstract criteria. Under these conditions, the demands of patron-client relations can be evaded upon the acquisition of business contacts and managerial skills. Because entry into business is thus unhindered by social control mechanisms, the ethnic business sectors are rife with competition, and turnover rates for new businesses are high.[74]

Finally, the would-be owners' thrust toward independence does not necessarily conflict with the interests of the immigrant employer. From the standpoint of the worker, the opportunity to acquire managerial skills through a stint of employment in the immigrant firm both compensates for low pay and provides the motivation to learn a variety of different jobs. For the employer who hires a co-ethnic, the short-term consideration is access to lower-priced labor. Over the long term, the immigrant owner can act on the assumption that the newcomer will stay on long enough to learn the relevant business skills. Moreover, the new entrant's interest in skill acquisition will reduce the total labor bill and increase the firm's flexibility. Thus, one can trace out a sequence of developments that shape regular labor-market behavior within the ethnic subeconomy: first, the development of a distinct business niche; then a community-wide orientation toward business; finally, an understanding that newcomers will seek to go out on their own.

This chapter has provided an alternative explanation of immigrant enterprise by emphasizing the interaction between the opportunity structure of the host society and the social structure of the immigrant community. The demand for small-business activities emanates from markets whose small size, heterogeneity, or susceptibility to flux and instability limit the potential for mass distribution and mass production. Because such conditions favor small-scale enterprise, they lower the barriers to immigrants with limited capital and technical resources. Opportunities for ownership result from the process of ethnic succession: vacancies for new business owners arise as the older ethnic groups that have previously dominated small-business activities move into higher social positions. On the supply side, two factors promote recruitment into entrepreneurial positions. First, the situational constraints that immigrants confront breed a predisposition toward small business and further encourage immigrants to engage in activities – such as working long hours – that are needed to gain minimal efficiencies. Secondly, immigrant owners can draw on their connections to a supply of family and ethnic labor as well as a set of understandings about the appropriate behavior and expectations with the work setting to gain a competitive resolution to some of the organizational problems of the small firm.

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Notes

1. Cf. U.S. Department of Commerce and Labor, Bureau of the Census, *Twelfth Census of the United States, Special Reports, Occupations* (Washington, D.C.: Government Printing Office, 1904).

2. "Hispanic Immigrants: Soon the Biggest Majority," *Time*, Oct. 16, 1978.

3. Self-employment rates for immigrants and natives in New York City calculated from the Public Use Microdata Sample of the 1980 Census of Population.

4. Nathan Glazer, "Social Characteristics of American Jews," *American Jewish Yearbook* 55 (New York: American Jewish Committee: 1955): 3–43; William Caudill and George Devos, "Achievement, Culture, and Personality: The Case of the Japanese-Americans," *American Anthropologist* 58 (1956): 1102–26.

5. Ivan Light, *Ethnic Enterprise in America* (Berkeley: University of California Press, 1972).

6. Ivan Light, "Asian Enterprise in America: Chinese, Japanese, and Koreans in Small Business," in Scott Cummings, ed., *Self-Help in Urban America: Patterns of Minority Business Enterprise* (Port Washington, N.Y.: Kennikat, 1980).

7. Illsoo Kim, *The New Urban Immigrants: The Korean Community in New York* (Princeton: Princeton University Press, 1981), 281–304.

8. Werner Cahnman, "Socio-Economic Causes of Anti-Semitism," *Social Problems* 5 (1957): 21–29, quotation on p. 27.

9. Ivan Light, *Ethnic Enterprise in America*; John Modell, *The Economics and Politics of Racial Accommodation* (Urbana, Ill.: University of Illinois Press, 1977).

10. This interpretation leans on the material presented by Stanford Lyman; see his books on *Chinese-Americans* (New York: Random House, 1974) and *Asians in North America* (Santa Barbara: ABC-Clio Press, 1977). In addition, it should be pointed out that elite dominance was related to the migration process itself. Emigration from China was organized by wealthy kinsmen or fellow villagers who lent funds for transportation; control over the indebted emigrants facilitated their organization into elite-dominated economic organizations.

11. In work written subsequent to *Ethnic Enterprise in America*, Light has himself given greater emphasis to social control factors. For example, in a 1975 article, co-authored with Charles C. Wong, Light noted that "the dependence of Chinatowns upon the tourist industry has exerted a strong brake on abrupt change. The conservative force is economic rather than cultural in origin. . . . (Dependence on the tourist industry is the) industrial foundation for the self-sufficiency and hard work which have, in the past, been too glibly attributed to the cultural endowment of Chinese-Americans." "Protest or Work: Dilemmas of the Tourist Industry in American Chinatowns," *American Journal of Sociology* 80 (1975): 1345.

12. The material on immigrant business in the garment industry cited here and elsewhere in the article is more fully discussed in my book, *Through the Eye of the Needle: Immigrants and Enterprise in the New York Garment Industry* (New York: New York University Press, 1986). On competition among the Koreans, Philip K.Y. Young's article, "Family Labor, Sacrifice, and Competition: Korean Greengrocers in New York City," *Amerasia* 10 (1983): 53–71) is particularly informative. Young reports that "the real source of competition for the individual store owner is not from supermarkets or grocery stores but from other Korean owned produce stores located close by" (67).

13. John Armstrong, "Mobilized and Proletarian Diasporas," *American Political Science Review* 70 (1976): 393–408; Walter Zenner, "Middleman Minority Theories: A Critical Review," in Roy S. Bryce-Laporte, ed., *Sourcebook on the New Immigration* (New Brunswick, N.J.: Transaction Books, 1980).

14. Edna Bonacich, "A Theory of Middleman Minorities," *American Sociological Review* 38 (1973): 583–594; "Middleman Minorities and Advanced Capitalism,"*Ethnic Groups* 2 (1980): 211–220.

15. Edna Bonacich and John Modell, *The Economic Basis of Ethnic Solidarity* (Berkeley: University of California Press, 1980).

16. Ibid., 20–24, 30–33.
17. A more detailed critique, with further bibliographical references, is developed in Waldinger, *Through the Eye of the Needle*, 9–13.
18. Data calculated from Table 1.30, pp. 65–66, in *The State of Small Business: A Report of the President* (Washington, D.C.: Government Printing Office, 1984).
19. *The State of Small Business*, 382.
20. Michael Piore, *Birds of Passage* (Cambridge, Eng.: Cambridge University Press, 1979).
21. F. M. Scherer, *Industrial Market Structure and Economic Performance*, 2d ed.(Boston: Houghton Mifflin, 1980), 86–150.
22. Arthur Stinchcombe, "Social Structure and the Invention of Organizational Form," in Tom Burns, ed., *Industrial Man* (Harmondsworth, Eng.:Penguin, 1969), 161–63; Howard Aldrich, *Environments and Organizations* (Englewood Cliffs, N.J.: Prentice-Hall, 1979).
23. For the original formulation of the special consumer-tastes argument, see Robert Kinzer and Edward Sagarin, *The Negro in American Business: The Conflict between Separatism and Integration* (New York: Greenburg, 1950); for a recent, quantitative assessment of the effects of culturally based tastes on business opportunities for immigrants and minorities, see Howard Aldrich et al., "Ethnic Residential Concentration and the Protected Market Hypothesis," *Social Forces*, forthcoming.
24. See, for example, Glenn Hendricks, *The Dominican Diaspora* (New York: Teachers College Press, 1974), 123–24.
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