

Revisiting Ethnic Entrepreneurship: Convergencies, Controversies, and Conceptual Advancements¹

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In the past thirty years, many concepts and theories on ethnic entrepreneurship have been developed, challenged, and revised to provide a fuller account of the phenomenon. This article revisits the existing literature to address some of the conceptual and methodological issues and the controversies that have lingered around them and to highlight important advancements that have broken through conventional frameworks of this lasting subject matter. It first reexamines the meaning and analytical distinction of such relevant concepts as the middleman minority, ethnic economy, and enclave economy, arguing that ethnic social structures in which entrepreneurs are embedded must be stressed in the understanding of these concepts. It then draws attention to the convergencies and controversies in research on the causes and consequences of entrepreneurship. Finally, it highlights two interrelated conceptual advancements in the study of ethnic entrepreneurship – transnational entrepreneurship and the synergy of entrepreneurship in community building.

Ethnic entrepreneurship as a social phenomenon has long fascinated many social scientists and stimulated considerable research and debate. Ethnic entrepreneurs are often referred to as simultaneously owners and managers (or operators) of their own businesses, whose group membership is tied to a common cultural heritage or origin and is known to out-group members as having such traits; more importantly, they are intrinsically intertwined in particular social structures in which individual behavior, social relations, and economic transactions are constrained (Yinger, 1985; Aldrich and Waldinger, 1990).

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In the layman's eye, however, ethnic entrepreneurs often carry images of petty traders, merchants, dealers, shopkeepers, or even peddlers and hucksters, who engage in such industries or businesses as restaurants, sweatshops, laundries, greengrocers, liquor stores, nail salons, newsstands, swap meets, taxicabs, and so on. Indeed, few would regard Computer Associates International (a large public firm specializing in computer technology based in New York) and Watson Pharmaceuticals (a large public firm based in Los Angeles) as ethnic businesses and their founders, Charles B. Wang, an immigrant from China, and Allen Chao, an immigrant from Taiwan, as ethnic entrepreneurs. These immigrant or ethnic group members appear to have successfully shed their ethnic distinctiveness and have incorporated their businesses into the core of the mainstream economy.

It is generally known that certain groups of immigrant and ethnic minorities are more entrepreneurial and more likely than others to adopt small business ownership as one of the most effective strategies in their quest for socioeconomic mobility (Glazer and Moynihan, 1963). In the past thirty years, many concepts and theories on ethnic entrepreneurship have been developed, challenged, and revised to provide a fuller account of the phenomenon. This article revisits the existing literature, focusing primarily on the research in the United States. I aim to address some of the conceptual and methodological issues and the controversies that have lingered around them and to highlight important advancements that have broken through conventional frameworks of this lasting subject matter.

CONCEPTUALIZING ETHNIC ENTREPRENEURSHIP

Middleman Minorities versus Enclave Entrepreneurs

The literature on ethnic entrepreneurship analytically distinguishes two main types of ethnic entrepreneurs: middleman minorities and enclave entrepreneurs. Middleman minorities are those ethnic entrepreneurs who trade in between a society's elite and the masses. Historically, they were sojourners, interested in making a quick profit from their portable and easily liquidated businesses and then reinvesting their money elsewhere, often implying a return home (Bonacich, 1973). Therefore, they most commonly established business niches in poor minority neighborhoods or immigrant ghettos in urban areas deserted by mainstream retail and service industries or by business owners of a society's dominant group. But in recent years, they have been found to open up businesses in affluent urban neighborhoods and middle-class suburbs and have shown up not only in the secondary sector but

also in the primary sector of the host society's mainstream economy. Middleman-minority entrepreneurs have few intrinsic ties to the social structures and social relations of the local community in which they conduct economic activities.

Enclave entrepreneurs, in contrast, include mainly those who are bounded by coethnicity, coethnic social structures, and location. In the past, they typically operated businesses in immigrant neighborhoods where their coethnic group members dominated and they themselves were also intertwined in an intricate system of coethnic social networks within a self-sustaining ethnic enclave. In present times, as many ethnic enclaves evolve into multiethnic neighborhoods and new ones develop in affluent middle-class suburbs, those who run businesses in a particular location may simultaneously play double roles – as middleman minorities and as enclave entrepreneurs. For example, a Chinese immigrant who runs a fast food takeout restaurant in a Latino-dominant neighborhood is a middleman-minority entrepreneur, but he would become an enclave entrepreneur when he comes back to his other fast-food takeout in Chinatown. Similarly, a Korean immigrant who opens up his business in Los Angeles' Koreatown may be an enclave entrepreneur to his Korean coethnics who live there. Yet, simultaneously, to his Latino residents who make up the majority of that neighborhood, he is perceived as just one of many middleman-minority entrepreneurs.

The analytical distinction thus becomes sociologically meaningful as economic transactions of these two types of ethnic entrepreneurs are conditioned by different social structures and social relations. For example, the stone face of a Korean shop owner in a black neighborhood is often interpreted as hostile and even racist. The effect of that facial expression can be exacerbated by a lack of English proficiency, but the same face is taken matter-of-factly by Koreans in Koreatown where a common language often eases potential anxiety.

The Ethnic Economy versus the Enclave Economy

Sociologists Bonacich, Modell, and Light were among the first to theoretically develop the ethnic economy concept which broadly includes any immigrant or ethnic group's self-employed, employers, and coethnic employees (Light, 1972, 1994; Bonacich and Modell, 1980; Bonacich, 1987). Light and his colleagues later rearticulated the concept to a higher level of generality (Light *et al.*, 1994; Light and Karageorgis, 1994; Light and Gold, 2000). The reconceptualized ethnic economy includes two key aspects: one

is the ethnic group's maintenance of "a controlling ownership stake" and its coethnic labor force or unpaid family labor; and the other is the ethnic group's control over the employment network, which allows the channeling of coethnic members into non-coethnic firms and even into the public sector of the larger labor market (Light and Karageorgis, 1994:648). The ethnic economy concept, with its dual aspects of coethnic ownership and employment network, is thus a neutral designation for every enterprise that is either owned, or supervised, or staffed by racial/ethnic minority group members regardless of size, type, and locational clustering. It is also agnostic about the intensity of ethnicity, neither requiring nor assuming "an ethnic cultural ambience within the firm or among sellers and buyers" (Light and Karageorgis, 1994:649).

The ethnic economy concept thus encompasses businesses owned by middleman minorities, businesses owned by coethnics in ethnic enclaves, as well as all ethnic-owned or ethnic-controlled enterprises in the general economy. Under this conception, the groups that are known to have higher than average rates of self-employment, such as Jews, Japanese, Koreans, Chinese, Iranians, and Cubans, have their respective ethnic economies; the groups that are known to have low self-employment rates but have control over recruitment networks in certain industries in non-coethnic firms and even in the public sector, such as blacks, Mexicans, and Salvadorans, would also have their own ethnic economies. Such conception allows for two types of analyses: one is to account for variations in mobility outcomes among ethnic group members who create employment opportunities for themselves and their coethnic workers, and the other is to account for variations in the level of economic integration of group members who enter the general economy via coethnic employment networks. This conception also facilitates the comparison of mobility and economic integration of immigrant and ethnic minorities in different societal contexts (Light and Karageorgis, 1994). Moreover, it makes operationalization convenient, especially when using various sources of secondary data. For example, the ethnic economy may be operationalized by either coethnicity of owners and coworkers or coethnicity of supervisors and coworkers (Hum, 2000). It may also be measured by the degree of industrial or occupational clustering (Waldinger, 1996).

The enclave economy is a special case of the ethnic economy, one that is bounded by coethnicity and location. Not every group's ethnic economy can be called an enclave economy. Likewise, not every ethnic economy betokens a middleman minority (Light and Karageorgis, 1994). Portes and

his colleagues were among the first to develop the enclave economy concept, drawing on the dual labor market theory (Wilson and Portes, 1980; Portes and Bach, 1985). In its original conceptualization, the enclave economy had a structural and a cultural component. As a distinct type of ethnic economy, it consisted of a wide range and diversity of economic activities that exceeded the limits of small businesses, trade and commerce, and traditional mom-and-pop stores, as well as ethnic institutions that mediated economic action, such as merchant associations, chambers of commerce, informal credit associations, and family/hometown associations. To a varying degree, it resembled some of the key characteristics of both primary and secondary sectors of the mainstream economy.

Unlike the ethnic economy concept that includes almost every business under an ethnic umbrella, the enclave economy has several unique characteristics. First, the group involved has a sizeable entrepreneurial class. Second, economic activities are not exclusively commercial, but include productive activities directed toward the general consumer market. Third, the business clustering entails a high level of diversity, including not just niches shunned by natives but also a wide variety of economic activities common in the general economy, such as professional services and production. Fourth, coethnicity epitomizes the relationships between owners and workers and, to a lesser extent, between patrons and clients. Last and perhaps most importantly, the enclave economy requires a physical concentration within an ethnically identifiable neighborhood with a minimum level of institutional completeness. Especially in their early stages of development, ethnic businesses have a need for proximity to a coethnic clientele which they initially serve, a need for proximity to ethnic resources, including access to credit, information and other sources of support, and a need for ethnic labor supplies (Portes and Manning, 1986).

The enclave economy also has an integrated cultural component. Economic activities are governed by bounded solidarity and enforceable trust – mechanisms of support and control necessary for economic life in the community and for reinforcement of norms and values and sanctioning of socially disapproved behavior (Portes and Zhou, 1992). Relationships between coethnic owners and workers, as well as customers, generally transcend a contractual monetary bond and are based on a commonly accepted norm of reciprocity. My own study of the garment workers in New York's Chinatown offers a concrete example. Immigrant Chinese women with little English and few job skills often find working in Chinatown a better option,

despite low wages, because the enclave enables them to fulfill their multiple roles more effectively as wage earners, wives, and mothers.

In Chinatown, jobs are easier to find, working hours are more flexible, employers are more tolerant of the presence of children, and private child-care within close walking distance from work is more accessible and affordable (Zhou, 1992). Such tangible and intangible benefits associated with the ethnic enclave is absent in the general secondary labor market, where co-ethnicity is atypical of owner-worker relationships and reciprocity is not an enforceable norm. Likewise, ethnic employers who run businesses in non-coethnic neighborhoods or who employ non-coethnic workers can effectively evade the social control of the ethnic community while causing unintended consequences of heavier social costs such as interethnic conflicts.

In sum, the enclave economy is not any type of ethnic economies. The adjective "enclave" is not just there to invoke the concept of "ethnic economy," but refers to a specific phenomenon, one that is bounded by an identifiable ethnic community and embedded in a system of community-based coethnic social relations and observable institutions. The central idea of the enclave economy concept is that the enclave is more than just a shelter for the disadvantaged who are forced to take on either self-employment or marginal wage work in small business. Rather, the ethnic enclave possesses the potential to develop a distinct structure of economic opportunities as an effective alternative path to social mobility.

Each of the concepts that I have just discussed approaches ethnic entrepreneurship from different angles and captures some core aspects of the phenomenon. Any new sociological concept, especially the innovative ones, would naturally be subjected to scrutiny and critique in the field. How ethnic entrepreneurship is conceptualized has been and continues to be hotly debated. Some criticisms include that the middleman-minority concept overemphasizes the sojourning orientation of ethnic entrepreneurs and the consequential societal hostility and intergroup competition in which it results, while overlooking ethnic social structures in which entrepreneurs are embedded. The ethnic economy concept is so expansive, ranging from ethnic ownership, coethnicity of owners and workers, and ethnic density of a particular occupational niche regardless of ownership positions, that, as a sociological construct, it loses its analytical rigor. The enclave economy concept turns the traditional conceptions of residential segregation and labor market segmentation upside down, unveiling a set of nuanced ideas so unconventional and complex that it invokes much confusion in interpretation and operationalization. In my view, these key concepts are useful ana-

lytically and are meaningful precisely because they capture the essence of some, not necessarily most, aspects of ethnic entrepreneurship.

EXPLAINING THE CAUSES AND CONSEQUENCES OF ENTREPRENEURSHIP: CONVERGENCIES AND CONTROVERSIES

Existing literature has sought to explain the causes and consequences of ethnic entrepreneurship. The central questions are twofold: Why are some immigrant groups more likely than others to engage in entrepreneurial activity; more specifically, what enables some groups to take on entrepreneurship and ensure their success in such an endeavor? Is ethnic entrepreneurship an effective means for social mobility, or what specific outcomes does entrepreneurship yield?

Determinants of Ethnic Entrepreneurship

Sociological research on ethnic entrepreneurship since the 1960s has given rise to a number of theoretical breakthroughs. Much of the literature seeks to explain why immigrants have a greater propensity for self-employment and why some groups are more likely than others to pursue self-employment as an alternative path to social mobility. Despite variations on the theme, major theories have converged on the independent and/or interactive effects of some key structural factors and group or individual characteristics that may either preexist before immigration or are adopted upon arrival in a host country. The “modes of incorporation” typology, developed by Portes and Rumbaut (1990) in their seminal work *Immigrant America*, is among one of the best analytical frameworks that cut across societal, group, and individual levels in dealing with the issue of intergroup variations in immigrant entrepreneurship. This typology refers to the ways in which different national-origin groups insert themselves into the U.S. society as labor migrants, entrepreneurs, or professionals, which are determined by the contexts of exit (*e.g.*, what immigrants bring with them – motivation, human capital, and financial/material resources; how they come – legal versus undocumented; and under what conditions they left their countries of origin) and the contexts of reception (*e.g.*, preexisting ethnic communities; government policies; societal reception). The central idea is that particular contexts of exit and reception can effect distinctive social environments and cultural conditions to the members of different national-original groups and offer opportunities

or create constraints to the individual, independent of the individual-level human capital, structural, and cultural characteristics.

At the societal level, racial exclusion and discrimination erect structural barriers to prevent immigrants from competing with the native born on an equal basis in the mainstream economy. As a result, immigrants either take jobs that natives do not desire or carve out market niches for themselves, meeting the potential demands for specific goods and services unmet by the mainstream economy. Historically, anti-Semitism and legal exclusion of Jews from landownership and skilled-worker guilds in Europe forced the Jews into the position of a middleman trading minority as peddlers, shopkeepers, and money lenders (Bonacich, 1973). The Chinese Exclusion Act of 1882 pushed Chinese immigrants into their own enclave, developing marginal ethnic economies, such as restaurant and laundry businesses, for subsistence and self-protection (Wong, 1988).

More recent empirical research suggests that immigrants seek self-employment in greater proportion than do natives because of discrimination in the larger labor market and disadvantages associated with immigrant status, such as poor English proficiency and the depreciation of human capital (Mata and Pendakur, 1999). There are intergroup differences, however. For example, Korean business owners often consider business ownership as a strategy to cope with problems associated with blocked mobility, but do not want their children to take over their businesses. Hispanic entrepreneurs, in contrast, often view entrepreneurship not just as an instrument to overcome discrimination but also as a strategy for intergenerational mobility (Rajjiman and Tienda, 2000).

In contemporary America where overt racism and discrimination is rendered illegal, various macrostructural forces have continued to influence the likelihood of engaging in entrepreneurial activity and its success. Aldrich and Waldinger highlighted two sets of such factors: market conditions and access to ownership. They argued that demands for ethnic consumer products stimulated both by growing ethnic populations and the changing tastes of nonethnics for things exotic and underserved nonethnic markets allowed certain group members to carve niches for self-employment. In this sense, the success of ethnic businesses hinged on the size of the ethnic population as well as on the access to customers beyond the ethnic community. They argued further that unique market conditions must interact with the access to ownership in the opportunity structures, which included levels of inter-ethnic competition for economic opportunities and state policies (Aldrich and Waldinger, 1990).

Others showed that ethnic market size interacted with immigrant disadvantages, such as the lack of English proficiency and linguistic isolation, in affecting self-employment (Evans, 1989). Still others showed that immigrants with limited English proficiency (LEP) became self-employed for different reasons, especially in a hostile context of reception. While LEP immigrants became self-employed because of limited labor market opportunities, those with fluent English proficiency did so for greater economic returns (Mora, 2002).

At the group level, the literature focuses on the group-specific cultural repertoire in the form of imported and reactive cultural values, behavioral patterns, distinct group traits, social structures, collective resources, and coping strategies. In his classic study of pre-War World II Chinese and Japanese ethnic economies, Light (1972) found that ethnic solidarism fostered interpersonal relations within the ethnic community, particularly within ethnic institutions such as clan or family mutual aid societies and rotating credit associations, which bore an "elective affinity" and functioned to collectively reinforce values and norms, mobilize resources, set prices, and regulate intraethnic competition for small business operation. Ethnic entrepreneurs preferred to partner with kin and coethnics as well as to hire coethnic labor because ethnic belonging constituted a framework of guiding decisionmaking and because the choice of partners or workers obeyed a logic based on trust, itself guaranteed by reputation.

In the Chinese enclave, for example, an "uncle" could testify for the reputation of the person organizing a rotating credit association (*hui*). Such a testimony was necessarily sufficient because the uncle was part of the informal social network that sanctioned cheating even if there were no penalties for possible transgression other than the exclusion of the swindler from interacting or doing business with other members of the community (Mung, 1996). My study of New York's Chinatown illustrated how informal reciprocal bonds are established between entrepreneurs and workers and how they functioned to nurture the entrepreneurial spirit and promote simultaneously the survival and growth of ethnic firms (Zhou, 1992).

Recent studies have examined in greater detail the relevant causal processes in the social structures of the ethnic community. Waldinger (1986) argued that the social structures of the ethnic community provide a mechanism of connecting organizations to individuals and stabilizing these relationships, which in turn enabled immigrant firms to remain competitive. Goldscheider (1986) found that the Jewish value of occupational independence as a mechanism of self-protection was carried over from Europe to the

United States and that it was the Jewish community's ties and networks, not the education or occupation of the parent generation, that reinforced the particular concentration of Jews in self-employment and ensured its continuity over generations. Cummings (1980) found that, among Poles and Slavs, fraternal mutual aid societies sponsored by the Catholic Churches contributed indirectly to ethnic businesses.

Light and his associates (1990) found that Korean *kyes*, or credit associations, helped fill some of the most urgent financial needs of entrepreneurs, promoting more entrepreneurship while strengthening coethnic network ties. Min (1992) found that Korean immigrant churches not only served as centers for social support and control but also acted as quasi business associations, or even as *kyes*, for entrepreneurs and prospective entrepreneurs. Findings about the role of *kyes* were mixed, however; among Koreans, personal savings were found to be a more important source of startup funds than kin and friendship ties (Kim and Hurh, 1985).

Group-level characteristics may be summed up in two concepts: "bounded solidarity" and "enforceable trust" (Portes and Zhou, 1992). Bounded solidarity is created by immigrants through virtue of their foreign status and by being treated as culturally distinct, which heightens the symbols of common origin, shared cultural heritage, and mutual obligations among coethnic owners, workers, and customers. I should stress that bounded solidarity among coethnic members need not be intimate. It is not spontaneous feelings of solidarity but the enforcement capacity of the ethnic community that constitutes the ultimate guarantee against breach of contract and violation of group norms (Portes and Zhou, 1992).

"Enforceable trust" is the key enforcement mechanism against malfeasance among prospective ethnic entrepreneurs and any violators of commonly accepted norms and standards. The sanctioning power of the community and its ability to confer status on individuals or exclude them depends on the organization of the ethnic community. These two group characteristics are embedded in ethnic social structures, forming an important source of social capital facilitating entrepreneurial growth. Other traits and cultural endowments that characterize a group's behavioral patterns include a sojourning orientation to the host society, an entrepreneurial tradition along with a sizeable entrepreneurial class in a group, the habit of saving, and the value of delayed gratification (Bonacich, 1973; Portes and Manning, 1986).

At the individual level, imported individual traits and behavior as well as an individual's demographic and socioeconomic characteristics, such as

age upon arrival, marital status, education, jobs skills, and work experiences acquired abroad and those acquired in the United States, and English proficiency. These individual level characteristics have varied effects on self-employment depending on how they interact with societal, group and even individual-level factors. For example, Min (1986/87, 1988) examined why Koreans and Filipinos, having similar levels of education and similar timing of immigration, had vastly different rates of self-employment. He found that even though many Korean immigrants came from middle-class backgrounds, their lack of English proficiency blocked them from gaining entry into well-paying, white-collar professions in the mainstream labor market. Blocked mobility forced them to fall back on their own family and community solidarity and seek self-employment as the most effective means of getting ahead in their host society. Filipino immigrants, in contrast, were proficient in English, received a U.S.-style education, and often secured job offers prior to migration. Their high levels of acculturation and assimilation into mainstream institutions reduced the urgency in forming ethnic enclaves and fostering ethnic solidarity, leading to disincentives for self-employment.

While some of these determinants act independently, most interact with one another to account for the likelihood, success, and intergenerational continuity of entrepreneurship. It is interesting to note that the literature has generated more consensus than controversies on what determines entrepreneurship. There are disagreements, however. One point of disagreement is on the preference for coethnic labor. In his ethnographic study of Vietnamese ethnic businesses in Little Saigon, Gold (1994) found that Chinese and Sino-Vietnamese owners depended on access to local ethnic and overseas sources of credit, supplies, and markets, but increasingly turned to Mexicans and Central Americans as their preferred source of labor, even though jobs of trust and supervisory responsibilities are still in the hands of coethnics. Another point of disagreement is about opportunity structures. Instead of responding to existing host market conditions, ethnic entrepreneurs proactively create new opportunities. For example, the availability of low-skilled immigrant labor allows prospective entrepreneurs to develop new businesses in the lines of work that have already been outsourced abroad, such as the garment industry, and the types of work previously taken up by family labor rather than paid labor, such as gardening, housecleaning, and childcare. Moreover, the availability of highly skilled immigrant labor has also become a new source of entrepreneurship in the growing high-tech sector that redefines the mainstream economy.

Consequences of Ethnic Entrepreneurship

Theories explaining different outcomes of ethnic entrepreneurship are much more controversial than those accounting for intergroup differences in the rate of entrepreneurship. Five arguments are among the most significant and debatable. First, ethnic entrepreneurship creates job opportunities for the self-employed as well as for ethnic workers who would otherwise be excluded by mainstream labor markets. Light (1972) showed that low rates of Chinese and Japanese unemployment during the Great Depression of the 1930s were due to the ethnic community's efforts in helping coethnic workers become self-employed. The studies of Miami's Cuban enclave and my study in New York's Chinatown offered consistent evidence to support this argument (Perez, 1986; Portes, 1987; Zhou, 1992). Light and his associates (1994) took this argument even further, arguing that the numerical preponderance of the self-employed contributed to overall group employment beyond the ethnic enclave and that both workers and owners in the ethnic economy would earn more than if they were unemployed (Light *et al.*, 1994).

Second, ethnic entrepreneurship serves as a buffer in relieving sources of potential competition with native-born workers in the larger labor market. Light and Roach (1996) argued that a sizeable proportion of the foreign born entered the metropolitan labor market by creating their own employment opportunities rather than taking up jobs in the existing labor market or crowding out natives. Portes and Zhou (1999) analyzed the 1990 census data to examine the effect of immigrant entrepreneurship on immigrants and native minority. They found that the rise of immigrant economic enclaves did not detract from African American entrepreneurship and that the proliferation of small firms, rather than the size of the firm, created the necessary environment for the self-sustaining capacity of an entrepreneurial community, which in turn provided an alternative to social mobility.

Third, ethnic entrepreneurship not only fosters an entrepreneurial spirit and sets up role models among coethnics but also trains prospective entrepreneurs. In studying the garment industry in New York City, Waldinger observed that immigrant workers were offered training opportunities when they assumed supervisory positions (Waldinger, 1984, 1986). Later, in another analysis, Bailey and Waldinger (1991) found that bonds of solidarity in small ethnic firms and the presence of coethnic entrepreneurs encouraged informal business apprenticeships, which had social effects beyond pure economic gain of the individual. They concluded that informal training systems were formed through close contacts between owners and

workers in ethnic enclaves as well as in spatially dispersed ethnic economies, enabling potential entrepreneurs to eventually start out on their own.

Fourth, and perhaps most controversially, there is a significant earnings advantage of self-employment over other forms of employment net of other observable effects of human capital and demographic characteristics. The economists Borjas (1990) and Bates (1997) flatly dismissed any significant earnings benefits associated with self-employment. Other economists, such as Fairlie and Meyer (1996), found that a high self-employment rate of an ethnic or racial group was strongly associated with a high average income for that group. Analyses conducted by many sociologists also suggested that groups with high rates of self-employment also showed higher than average rates of educational and occupational intergenerational mobility and that their descendants enjoyed individual and family incomes higher than the national averages (Goldscheider, 1986; Portes and Bach, 1985; Portes and Jensen, 1987; Portes and Zhou, 1992 and 1996; Waldinger, 1996).

Portes and Zhou (1996) addressed the contradictory findings by examining how the choice of functional forms – loglinear (relative returns) versus linear (absolute dollar values) – of the earnings equations produced contradictory outcomes concerning the superior or inferior earnings of the self-employed relative to wage/salaried workers. When the loglinear form was used, there was a negative, but statistically insignificant, earnings effect of self-employment, which supported Borjas' claim. But when the linear form was used, the effect became significantly positive. They also found that the preponderance of the self-employed was among positive outliers and thus argued that the use of the loglinear form, which was favored by most economists, sacrificed substantive knowledge about ethnic entrepreneurship because it excluded all the outliers and evened out the earnings of the most successful entrepreneurs.

The earnings return on human capital in ethnic enclaves has also been hotly debated. Portes and Bach (1985) found that, compared to immigrants employed in the secondary sector of the mainstream economy, those in the enclave had occupations that corresponded more closely with their educational attainment and earnings that corresponded more closely with their occupational status. Their original study implied but did not directly test the hypothesis that earnings return to human capital was greater in the enclave than outside. Others disagreed, finding that workers participating in enclave economies suffered from a significant earnings penalty (Sanders and Nee, 1987; Hum, 2001). Logan and his associates (2003) examined the effects of self-employment in ethnic and nonethnic sectors of the metropolitan econo-

mies in New York and Los Angeles. They found mixed results on being at work, hourly wages, and annual wages, depending on model specification and varying across groups. They concluded that the self-employed worked longer hours and generally at lower hourly rates than those employed by others and that the effects of self-employment in ethnic niches were more disadvantaged than that in the mainstream economy. I think that, while these mixed results are certainly due to data limitations constraining a more accurate operationalization of the enclave, there is a considerable confusion on the part of the researchers who fail to distinguish between the enclave economy and the ethnic economy concepts.

Lastly, ethnic entrepreneurship affects the economic prospects of in-group members as well as out-group members. Again, results are mixed. In an analysis of how group self-employment rate influenced the earnings of coethnic workers, Spener and Bean (1999) found a positive effect of Mexican self-employment on the earnings of their coethnic workers in labor markets where the size of the coethnic labor force was relatively large. However, the effect was negative in labor markets where the size of ethnic labor force was small. They concluded that such discrepancy was due to the nature of niches in which the self-employed were concentrated. In labor markets with high coethnic density, niches in which the self-employed were engaged were likely to be more diverse and profitable. In contrast, in labor markets with low coethnic density, niches were likely to concentrate in manual occupations. Fairlie and Meyer (1998) found only a small negative but insignificant effect of immigrant self-employment on black self-employment. In another analysis, however, they found that immigrant self-employment had a significantly negative effect on the prospect of native nonblacks' self-employment but increased the earnings of nonblack self-employed (2000). They speculated that the displacement effect of immigrant self-employment might concentrate on the marginal, low-income self-employed.

While debates on ethnic entrepreneurship are largely productive and mixed findings about outcomes are a natural process of knowledge production, I should point out that too much attention on the technical details may sometimes detract us from the big picture and is likely to corner us into an intellectual dead end, leaving gaps in a fuller understanding the substantive meaning and practical implications of ethnic entrepreneurship. What matters most is that self-employment is an option over unemployment, that it creates job opportunities for an individual as well as for others in or out of the ethnic group, that it provides economic resources for the family and

children, that it empowers group members with economic independence, and that it opens up a viable path to social mobility for individual group members and their groups as a whole (Washington, 1971; Boyd, 1990; Butler, 1991; Light *et al.*, 1994; Portes and Zhou, 1992).

NEW DYNAMISMS IN ETHNIC ENTREPRENEURSHIP AND CONCEPTUAL ADVANCEMENTS

Theories and empirical research that I have reviewed so far presuppose a national context within which the structure of opportunities for ethnic entrepreneurship emerges and economic mobility for immigrant groups occurs. Sweeping economic globalization and rising rates of international migration since the 1970s have brought about unprecedented changes in immigrant communities and ethnic economic activities in the United States. These trends have led researchers to think beyond the constraints of existing conceptual and analytical frameworks in understanding the causes and consequences of ethnic entrepreneurship. Here, I highlight two interrelated advancements – transnational entrepreneurship and the synergy of entrepreneurship in community building.

Transnationalism and Entrepreneurship

Historically, movements back and forth between sending and receiving countries have been a fact of life for many immigrant groups. What is new about contemporary transnationalism is that the scale, diversity, density, and regularity of such movements and the socioeconomic consequences that they have brought about are unmatched by the phenomena of the past, thanks to jet flights, long-distance telephone and fax services, the Internet, and other high-tech means of communication and transportation, but most importantly to the restructuring of the world economy along with the globalization of capital and labor. Today, a garment design conceived in New York may be transmitted electronically to a factory in some remote country in Asia, and the first batches of the products can be shipped to San Francisco in a week's time (Castells, 1980). It has become apparent that growing numbers of migrants of certain national origins are participating in the political, social, and economic lives of their countries of origin even as they put down roots in the United States (Levitt, 2001). Such processes are likely to give rise to new structures and forces that determine ethnic entrepreneurship.

In the United States, the emerging literature on the relationship between transnationalism and entrepreneurship has come primarily from eth-

nographic case studies, with the exception of a few small-scale surveys (Grasmuck and Pessar, 1991; Portes and Guarnizo, 1991; Mahler, 1995; Chin *et al.*, 1996; Durand *et al.*, 1996; Gold, 1997, 2001; Guarnizo, 1997; Li, 1997; Guarnizo and Smith, 1998; Itzigsohn *et al.*, 1999; Kyle, 1999; Landolt *et al.*, 1999; Landolt, 2001; Levitt, 2001; Light *et al.*, 2002; Portes *et al.*, 2002; Tseng 1995, 1997; Yoon, 1995). These case studies have covered a wide variety of transnational entrepreneurship. The first type is related to financial services that include informal remittance handling agencies, or *financierasi*, and investment banks. The second type is import/export of raw material, semi-processed products, manufactured durable and nondurable goods, and exotic or folk handicrafts that include informal couriers (*viajeros* who deliver mail and supplies to immigrant kin on a monthly basis or “suitcase” entrepreneurs who travel back and forth with packed suitcases of goods to be traded in street markets on both ends) and formal air, sea, and land shipping companies and trading firms.

The third type entails various cultural enterprises, ranging from trading music, movies, video or digital compact discs, importing and reproducing ethnic language media in print, television, and radio, to organizing musical, dancing, sports teams and tourist groups of various purposes to visit immigrant sending and receiving countries. The fourth type includes manufacturing firms, operating either as separate units of a firm or as one single firm across national boundaries, such as a garment factory in Dongguan, China that belongs to the same owner in New York’s Chinatown. The fifth type are return migrant microenterprises, such as restaurants, video stores, laundromats, auto sales and repairs, and office supplies, which are established in places of origin with migrant wages and personal savings in the United States (Landolt *et al.*, 1999). Existing case studies show that many immigrants in the United States are building bases abroad rather than aiming at the permanent return and that they have bought real estate, opened bank accounts, and established business contacts abroad from which they create new economic opportunities for themselves and organize their transnational lives in both the sending and receiving countries by strengthening their transnational networks that sustain regular back-and-forth movements, including cyclical migration (Portes and Guarnizo, 1991).

An understanding of the levels of scale and formality of these various types of transnational economic activities requires a new perspective that goes beyond the one centering on the host country (Levitt and Glick Schiller, 2003). Transnationalism is generally defined as “the processes by

which immigrants forge and sustain multi-stranded social relations that link together their societies of origin and settlement” (Basch *et al.*, 1994:6). Portes (1994) argues that it is the intensity of exchanges, not just the occurrences themselves (trips, occasional contacts or activities), that becomes a justifiable topic of investigation. Portes and his associates (1999) advance a typology of three sectors of transnationalism (economic, political, sociocultural) at two levels of institutionalization (high versus low) and define transnationalism as measurable occupations and activities that require regular and sustained social contacts over time across national borders for their implementation.

Recent research has shown that many of the same causal processes affecting ethnic entrepreneurship have also influenced transnationalism, such as structural disadvantages associated with immigrant status: racial prejudice, discrimination, and exclusion. Human capital (*e.g.*, education, job skills, citizenship status) and other key demographic characteristics (*e.g.*, age, sex, and marital status) are important determinants too, affecting not so much the likelihood of engaging in transnational activities as the formality and scale of such activities. Highly educated immigrants have been found quitting their well-paying salaried jobs to pursue entrepreneurship because they can better utilize their skills, bicultural literacy, and transnational networks to reap material gains, as in the case of Israelis, Chinese, Taiwanese, and Colombians, and many of their transnational businesses tend to be formal and based in host countries, using transnational entrepreneurship as an effective means of maximizing their human capital returns and expanding their middle-class status (Gold, 2001; Guarnizo *et al.*, 1999; Light *et al.*, 2002; Zhou and Tseng, 2001).

Low-skilled immigrants from Mexico, El Salvador, Guatemala, and the Dominican Republic have also shown a similar tendency toward transnational entrepreneurship, but their transnational practices seem to be oriented more toward sending countries and tend to be limited to sending remittances home regularly to support families and kin, buying land or building houses for their own transnational lives, and establishing small, sustainable businesses in their homelands as effective ways to convert their meager wages earned in the United States to material gains and social status recognition in their countries of origin (Diaz-Briquets and Weintraub, 1991; Portes and Guarnizo, 1991; Itzigsohn, 1995; Goldring, 1996; Popkin, 1999). However, the same groups that are found to engage in small-scale, informal types of transnational economic activities also show signs of large-scale, government

and corporation-sponsored transnational entrepreneurship, such as the Mexicans and Dominicans (Guarnizo, 1997; Itzigsohn *et al.*, 1999).

One of the foci of the emerging research on transnational entrepreneurship emphatically highlights the significance of state policies. Roberts and his associates (1999) found that the North American Free Trade Agreement (NAFTA) of the early 1990s and the General Agreement on Tariffs and Trade (GATT) in 1998 instituted the free movement of capital and goods between the two countries, but not of labor, which they argued has profound implications for the development of formal and large-scale transnational entrepreneurship and the migration of the professional and entrepreneurial class. Zhuang's in-depth historical analysis of the Chinese trade diaspora and immigration in Southeast Asia since the sixteenth century showed how restrictive emigration policies of Chinese government shaped the formality and types of migrant transnational business activities and the formation of different business groups, including pirates who controlled territories at sea to safeguard their illegal channels of trade with China (Zhuang, 2001). Zhuang also showed that China's open-door policy and government mandated economic reform in the late 1970s renewed, consolidated, and expanded the transnational and multinational ties between China and centuries-old Chinese trade diaspora in Southeast Asia, which resulted in tremendous capital investment in China.

The levels of economic development in the countries of origin are also important determinants, as they shape particular structures of opportunities unique to national-origin groups and determine who is engaged in what type of transnational activities. For example, in countries where industrialization and development were at their early stages, informal trade and *viajeros* seemed to dominate as in the case of Mexicans, Salvadorans, and Dominicans who traveled back and forth to engage in informal activities that bypass existing laws and the regulatory agencies of the state in both sending and receiving countries and take advantage of differential demands and prices on both sides (Portes and Guarnizo, 1991).

At more advanced stages of economic development in sending countries, formal and large-scale transnational activities, such as import/export, transnational banking and investment in both knowledge-intensive and labor-intensive industries are likely to dominate, as in the case of Taiwanese and Koreans (Min, 1986/87; Yoon, 1995; Li, 1997; Zhou and Tseng, 2001). These transnational economic activities, in turn, have positive impact on state policies, as many nation states have come to depend on migrant remittances and capital investments as a reliable source of foreign exchange,

collateral for the solicitation of international loans, and capital mobilization for economic development (Portes, 2003).

Another point of emphasis in recent research is the significances of ethnic networks and their enduring moral ties to ethnicity and the countries of origin. As networks facilitate processes of migration and settlement in lowering risks and costs of the initial journey, they also play a crucial role in facilitating transnational entrepreneurship and promoting their growth (Guarnizo *et al.*, 2003). Once again, traditional trade and economic networks are based on trust and enduring moral ties dictated by a common ethnicity or a cultural heritage – origin, religion, and language. At the individual level, however, these networks may not necessarily be as closely knit as those based on family and kin, and many manifest themselves in the form of weak ties rather than strong ties, which allows for more vertical rather than horizontal linkages of ethnic entrepreneurship (Yoon, 1995). Also, transnational networks tend to be diverse: some are oriented more toward sending countries while others more toward receiving countries; some have relatively more open boundaries while others are more exclusive in membership (Gold, 2001).

There are direct economic and noneconomic benefits to individual transnational entrepreneurs in terms of employment security, economic independence, favorable earnings, and social recognition in sending countries. However, these individual gains do not automatically accrue to group mobility. For example, despite extensive and well-documented transnational ties, some groups, such as Dominicans, Salvadorans, and Mexicans, have continued to face economic hardships and suffer from group disadvantages in the United States (Gold, 2001). Also, while transnational entrepreneurship creates more opportunities for individual group members to become self-employed, its impact on the group or the ethnic community as a whole varies. For example, the Dominican community in Washington Heights in New York is marked by the most serious social pathologies despite the presence of thriving ethnic businesses (Hernandez and Torres-Saillant, 1996).

Findings and conclusions about transnational entrepreneurship appear to be indefinite at the moment since they have come primarily from ethnographic case studies of a limited number of national-origin groups. Researchers warn that transnational entrepreneurial activities are regularly undertaken only by a small minority of group members and that they range from broad to narrow in scale, producing varied outcomes (Itzigsohn *et al.*, 1999; Portes *et al.*, 2002). Moreover, transnational entrepreneurship may

impose a whole new set of obstacles and difficulties; not all forms of transnational practices bring about positive effects for group social mobility in host societies (Gold, 2001).

Nevertheless, a transnational perspective has advanced our thinking on ethnic entrepreneurship in some important ways. First, potential immigrant entrepreneurs, low-skilled and highly-skilled alike, do not merely react to structural disadvantages they face in their host countries but actively look for opportunities and market niches beyond the national boundaries of the receiving countries, utilizing their bicultural skills and preexisting binational ethnic networks. While globalization creates new opportunities, those with bicultural literacy and binational experiences are more likely than others to act as agents to initiate and structure global transactions.

Second, transnational entrepreneurship does not necessarily impact the group or the ethnic community in a similar way as it does individuals or individual families, even when it boosts the rate of self-employment for the group. However, when transnational entrepreneurship is linked to an existing enclave economy, the effect on the group becomes significant. On the one hand, transnationalism opens up international capital, labor, and consumer markets beyond the constraints imposed by the host society and economy and thus expands the economic base by diversifying industries, creating potential for the enclave economy to integrate both horizontally and vertically and making it more competitive and viable. On the other hand, the expanded enclave economy provides greater material support for existing social structures of the ethnic community, which in turn strengthens the basis for social capital formation.

Third, ethnic networks are important social capital resources for transnational entrepreneurship, but their effects are unequal. Networks that pivot around family or kin relations are manifested in trust-based strong ties. These strong ties may be less beneficial and of less value than those occupationally-based weak ties.

Fourth, even though transnational entrepreneurs may conduct their routine activities across national borders, it is possible that they weigh their future orientation and permanent settlement more on the host country than on the sending country or vice versa, hence a sojourning orientation to their economic activity on one side and a more settler's orientation on the other.

Examining two industrial sectors – high tech firms and accounting firms – in Los Angeles' Chinese immigrant suburb, known as "ethnoburb," Zhou and Tseng (2001) found that Chinese transnational activities with the economic base in Los Angeles stimulated the growth of other traditional

low-wage, low-tech businesses in the suburban enclave. They concluded that transnational practices necessitated deeper localization rather than deterritorialization and contributed to strengthening the economic base of the existing ethnic enclave. When transnational entrepreneurs orient toward the ancestral homeland, they may overlook the importance of building and strengthening social structures that help enhance their future well-being in the host country.

Entrepreneurship and Community Building: A Focused Look at the Enclave Economy

The burgeoning research on ethnic entrepreneurship has been more concerned with the causes and effects of entrepreneurship on economic integration among immigrant and ethnic minorities than with its influence on the social contexts mediating ethnic economic life and has largely overlooked its noneconomic effects. Some noneconomic effects, such as serving as an alternative means to social status recognition, nurturing entrepreneurial spirit, providing role modeling that inspires others to follow suit, and strengthening social networks locally and internationally, are noted in existing literature but lack further investigation. Just through what mechanisms and under what conditions these noneconomic effects are produced is unclear, leaving a substantial conceptual gap. Examining how a particular ethnic community may be affected by entrepreneurship can help fill this gap.

Before illustrating the relationship between ethnic entrepreneurship and community building, I shall once again reiterate the conceptual distinction between the ethnic economy and the enclave economy, even though the latter is a type included in, and often mistaken as the same as, the former. As I have discussed in the first section of this article, the ethnic economy is an umbrella concept that takes into consideration not simply job creation by ethnic entrepreneurs, but also access to existing jobs in the general economy by ethnic networks. Such an inclusive concept runs the risk of decontextualization and a loss of analytical rigor when examining group-level processes, particularly variations in ethnic social structures and social capital formation among disadvantaged immigrant and ethnic minorities.

For example, Korean entrepreneurs running businesses as middleman minorities in non-Korean neighborhoods do not tend to invest in the social structures of the neighborhoods they are serving because they are not bounded by social relationships with local residents and because their businesses serve a singular function – trade or commerce – with little attachment

to any significant social structures there (Min, 1996). Quite the contrary, Korean entrepreneurs running businesses in Koreatown have a “stake” in the community and are intertwined in multiple social relationships with coethnic residents and multiple ethnic social structures there. Therefore, I argue that it is the social embeddedness of ethnic economic activities, rather than the ethnic economy *per se*, that affects a unique social context for group mobility. The enclave economy concept is useful for us to examine the noneconomic effects of entrepreneurship and to explain why social contexts affecting group mobility vary by national origins or race/ethnicity and why ethnic communities vary in their capacities to protect group members from disadvantages and move them up in society.

My recent study of Los Angeles’s Koreatown is a case in point (Zhou *et al.*, 2000; Zhou, 2002).² It demonstrates that ethnic entrepreneurship can have social effects that go well beyond the economic success of individual entrepreneurs and that an enclave economy, rather than merely a concentration of ethnic businesses, provides a critical material base for the ethnic community to function effectively. In inner-city minority neighborhoods, many viable social institutions are gone with the out-migration of the middle class to suburbs, leaving the “truly disadvantaged” trapped in social and economic isolation (Wilson, 1987). Urban public schools, churches, nonprofit organizations, and other publicly funded agencies are not, by themselves, up to the task of protecting children from falling down into permanent poverty. Despite multiple risks, however, not all poor urban neighborhoods are predestined to ghettoization.

Los Angeles’s Koreatown is a typical urban neighborhood that has a concentration of racial minorities and the poor; yet it is an unusual immigrant enclave since it is multiethnic, with sizeable subpopulations of Mexicans, Salvadorans, Guatemalans, Koreans, and a few others. Only about one fifth of the residents are Korean and two thirds Latino, but no single national-origin group constitutes a numerical majority. Koreatown is known for its high concentration of Korean-owned businesses, churches, and other cultural and social institutions. The Korean-owned businesses encompass both traditional mom-and-pop stores serving local residents and upscale

²Koreatown is part of my comparative ethnographic study of three immigrant neighborhoods in Los Angeles, based on intensive one-on-one interviews and extensive field observations conducted in 1998–2000. The other two neighborhoods are Chinatown and Pico Union (a Mexican/Central American neighborhood) (see Zhou *et al.*, 2000, for more detail).

retail and professional establishments catering to the tastes and needs of suburban middle-class Korean families and, to a lesser extent, tourists.

The two modern shopping malls – Koreatown Plaza and Koreatown Galleria, a handful of expensive Koreatown restaurants, and two indoor golf driving ranges, along with many large and small churches and numerous professional and social services, all owned or run by Koreans – form the core of the Korean enclave. This enclave has become a magnet attracting Korean immigrants and their families who have settled elsewhere in suburban Los Angeles to shop, entertain, socialize, and conduct various aspects of their ethnic lives on a regular basis. The return of the middle class, in turn, promotes further coethnic business investment and the proliferation of a wide range of cultural, religious, and social institutions.

The organization of economic activities and other ethnic institutions in Koreatown suggests that Koreans and Latinos of this inner-city neighborhood are actually living in two very different social worlds. Korean residents, who are poor and mostly recent immigrants, are in a social environment in which they have convenient access to jobs and ethnic goods and services and are also in frequent contact with their suburban middle-class coethnics and benefit from such contact via multilevel participation in the economic and social life of the ethnic enclave. To Latino residents, however, Koreatown is simply a place where they live, and Koreatown entrepreneurs are merely middleman minorities. The Korean ethnic environment accrues ample tangible or intangible benefits within the easy reach of Korean residents, but it is not equally accessible to Latino residents.

It is apparent that social environments are not defined by the neighborhood's characteristics, nor by residents' socioeconomic status, nor by institutions that are located there, but by a complicated set of interrelated social relationships between various institutions and residents bounded by ethnicity, which has significant consequences facilitating or constraining possibilities for social mobility. Koreatown's unique social context for Koreans is a direct outcome of the enclave economy. Let me elaborate further on how Korean entrepreneurship shapes an ethnic environment conducive to education that benefits Korean immigrant children to the exclusion of Latino children sharing the same neighborhood.

In Koreatown's enclave economy, there is a visibly high concentration of Korean-owned and Korean-run businesses targeting children and youth, most noticeably the *hagwons* (after-school tutoring), college preparation schools, Korean language centers, preschool daycare centers, businesses offering music, dance and karate classes and vocational training, and recre-

ational facilities. These private businesses constitute an effective system of supplementary education (Bhattacharyya, 2003), functioning as any other for-profit businesses to meet a particular demand, but serving important social functions as well. First, the concentration of educational enterprises in Koreatown gives suburban middle-class Korean immigrants a reason to go to Koreatown other than for shopping because they believe that the ethnic system of education is best for their children. When the middle-class suburbanites come to Koreatown, they come for multiple purposes – sending their children to *hagwons*, going to church, playing golf, eating real Korean food, shopping, and even for a facial or massage or haircut. The presence of the middle class, in turn, stimulates not only more entrepreneurial investment in businesses of varying scales, but also the development of religious and cultural institutions.

Second, the ethnic system of supplemental education reinforces the overriding importance of education and facilitates educationally-relevant information flows among the children of Korean immigrants. We noticed in our interviews that Korean adolescents in Koreatown have a more sophisticated understanding of the educational system and are more informed of college options than their Latino peers. They seem to know what the specific paths to higher education are, such as which middle school is a feeder school to a better high school, which high school offers sufficient AP courses, how to prepare for AP and SAT tests, and when to take these standardized tests. Many mentioned that they had to take SAT tests early so that they had time to retake them if necessary. They also mentioned the names of prestigious colleges, such as Harvard, Princeton, Cal Tech, and Stanford, and had concrete remarks about how colleges were ranked; high school seniors reported they had visited the web sites of many colleges.

With regard to structured after-school academic or recreational activities, our Korean teenage respondents would say that taking more AP tests, having higher SAT scores, or playing musical instruments made them “look good on college applications,” that participating in after-school activities could connect them to those who “know about college admission and financial aid stuff,” or those who “can write you recommendation letters for college.” They also would say that voluntary work in the community could help them “make up for bad grades in school.” A Korean low-achiever told us why he got involved in a service club, “Well, I like to help people, but mostly it’s for college, because my grades aren’t too good. They [colleges] like to see some of that extra stuff.”

Third, multiple purposes for community participation lead to involve-

ment in multiple institutions, hence broadening the basis for social interaction between local Korean residents and their suburban coethnics. Such relationships, though more secondary and instrumental than primary and intimate, create channels for information exchange and thus ease the negative consequences of social isolation associated with inner-city living. For example, Korean parents, often non-English speaking, are able to obtain detailed information about high school and college requirements, school and college rankings, scholarship and financial aid, and other education-related matters through their casual contacts with a more informed group of coethnics in churches, restaurants, beauty salons, and other ethnic institutions and also through the Korean language media. They can find tutors and after-school programs from a range of options offered by for-profit businesses which are advertised in Korean-language newspapers. The ethnic media routinely announces and honors Korean children and youths who win national or regional awards and competitive fellowships, get accepted into prestigious colleges, and score exceptionally well on SAT and other scholastic standardized tests.

The case of Koreatown offers insights into the understanding of the role of the enclave economy in community building and social capital formation. First, social structures in an ethnic community require the support of an enclave economy, not just any type of ethnic economies. For Latinos, Koreatown's ethnic businesses are not connected to the social structures of their ethnic community, be it Mexican, Salvadoran, or Guatemalan. Korean business owners are merely middleman minority entrepreneurs. Even Latino business owners tend to be middleman minority entrepreneurs of their own ethnic groups because of the lack of development of diversity and scale of Latino-owned businesses that can stimulate the development of other social structures in the Latino community.

Second, the development of the enclave economy increases the level of institutional completeness in an ethnic community, which in turn stimulates more diverse community investment. However, Koreatown's enclave economy does not help build an ethnic community for Latino residents who live and work there. Some for-profit Korean-owned educational or social service enterprises are not even accessible to Latinos because of cultural and language barriers.

Last but not least, a high level of institutional completeness intertwined with the enclave economy creates a physical site where coethnics of diverse class backgrounds meet one another face-to-face and rebuild social networks that have been disrupted through the process of immigration. New ties may

not be as intimate as those based on family and kin, but they are nonetheless bridge ties centering on the enclave while having many outlets branching from it. Mixed-class interactions among coethnics tend to generate more beneficial social relations and more valuable social capital from these social relations, which in turn effectively reduces the level of social isolation in the inner-city and leads to effective and practical means to social mobility.

In sum, my study contributes to the literature on ethnic entrepreneurship by shifting the focal point from ultimate mobility outcomes – earnings or employment opportunities – to intermediate social processes – community building and social capital creation. I argue that social organization in immigrant neighborhoods varies by ethnicity and that the presence of an enclave economy, not just the concentration of a variety of local ethnic businesses, influences not only the economic life but also the social environment of coethnic group members. The vitality of the ethnic community and its ability to generate resources conducive to the acquisition of skills and information necessary for social mobility depend largely on the development of the enclave economy.

Varied levels of enclave economic development among different immigrant groups affect institutional completeness, which in turn creates differences in the availability and access to neighborhood-based resources, especially those pertaining to the education of immigrant children. Social capital formed in different social contexts appears to have different values, and what appears to be social capital for one ethnic group may not equally benefit another sharing the same neighborhood. In this respect, the enclave economy concept is superior for investigating the social contexts and processes of group mobility. It allows for a more focused and detailed examination of varied social contexts and their effects on mobility outcomes, hence unpacking the black box of ethnicity.

A fuller account of the variations in social contexts can offer a better explanation of why the ethnicity variable has a positive effect on outcome for some groups and a negative effect for others in the same model. It also allows for the development of a theoretical conception to understand more precisely how social resources are produced and reproduced in the ethnic community.

CONCLUSION

Unlike the past, when ethnic entrepreneurship conjured up images of small, informal, and family-owned businesses, contemporary entrepreneurial activities among immigrant groups in the United States have become increasingly heterogeneous in scale, range, intensity, and levels of formality or

institutionalization. As in the past, today's immigrants have continued to exploit entrepreneurship as an effective alternative to circumvent labor market barriers and to move up socioeconomically in the host society, but, they have done so more proactively, taking advantage of new opportunities that are open to them in the processes of economic globalization and international migration. The literature seems to converge on the various causes of ethnic entrepreneurship, paying ample attention to interactive effects of various levels of determining factors.

There is much debate about what consequences ethnic entrepreneurship produces and how it affects individuals as opposed to groups. In my opinion, the intellectual disagreements and mixed findings are due primarily to conceptual confusion and inconsistent operationalization of the key concepts under investigation. Because of data limitations, researchers sometimes collapse qualitatively different concepts into a single conceptual category and measure it as if it is intrinsically coherent. I should stress that the concepts of middleman minority and enclave economy are analytically distinct categories, while the ethnic economy is an inclusive umbrella.

The two conceptual advancements that I have discussed highlight some of the most dynamic processes underlying ethnic entrepreneurship. An emerging transnational perspective has pushed the subject matter to a higher level of complexity, stimulating new ways of thinking about how contexts of exit and reception intertwine to affect the probability of self-employment, what constitutes the structure of and access to opportunities, what enables individuals of diverse socioeconomic backgrounds from the same national origin or ethnic group to engage in transnational business, how transnational entrepreneurship affects or is affected by the immigrant's past and present experience in the middleman minority situation, ethnic enclaves, or ethnic niches in the host country, and why immigrants and native minorities differ in their rates of self-employment.

Similarly, emphasizing the noneconomic effects of ethnic entrepreneurship develops an important idea which is noted in the literature but has not been taken seriously, namely that immigrant enterprise can have social effects that go well beyond the economic success of individual entrepreneurs. This approach has also enabled us to see how the enclave economy is a valuable concept as opposed to the concept of the ethnic economy. Linking ethnic economic activities to community and network building helps explain not only why entrepreneurial activities necessarily lead to varied outcomes and why economic success of individual entrepreneurs do not automatically imply group success, but also how group-level economic activities can affect

unique social contexts conducive to the adaptation of the second generation and how valuable bridge ties that cut across class and spatial boundaries can emerge to prevent social isolation among disadvantaged coethnic group members. The increasing visibility of entrepreneurial activities among immigrant groups and the surging interest in research suggest that we, as sociologists, should be able to hold on to our jobs for quite some years to come. The challenge is how we advance beyond, or bypass, the constraints posed by the existing theoretical and conceptual frameworks of this intellectual enterprise.

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