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# Immigrant Neighborhoods as Centers of Commerce<sup>1</sup>

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# Immigrant Neighborhoods as Centers of Commerce

## 1. Summary of Research

### Immigration to the United States

Immigration to the United States is now approaching the same absolute annual level that it attained in 1910, although immigrants' share of total U. S. population is still lower than it was in 1910. Unlike turn-of-the-twentieth century immigrants, who were overwhelmingly of working class and peasant origins, 42 percent of current immigrants enter the United States with significant financial capital and 12 or more years of formal education. Affluent immigrants derive principally from East Asia, the Middle East, and South Asia, but secondarily from Cuba, Europe, and Canada. Sixty-three percent of immigrants from Asia have 12 or more years of education compared to only 49 percent of native-born Americans.

In the United States, after about ten years of initial disadvantage and stress during which they are underemployed, these affluent immigrants ultimately regain the socio-economic level appropriate to their human and financial capital. They become medical and technical professionals, entrepreneurs, and sales agents. About a third of medical doctors, nurses, and dentists are now foreign born. One fourth of information technology entrepreneurs are foreign born in Los Angeles as well as in Silicon Valley. The engineering profession is more than 50% foreign born. The foreign born are overrepresented in import/export trade. In immigrant reception centers, like Chicago, foreign real estate professionals are very common. Immigrants from Asia have an average household income of \$42,900 in 1997 compared to \$36,100 for native-born Americans.

At the other extreme, a third of current immigrants still enter the United States as unskilled labor. Usually hailing from small villages in agricultural regions, the unskilled workers bring virtually no money with them, and their average educational level is 3-4 years. Among all immigrants, 35 percent have less than high school education; among immigrants from Latin America, 53 percent of immigrants have less than high school education. Only 16 percent of native-born Americans have a comparably low level of educational qualification. The poor immigrants' level of illiteracy is high even in their native language; their English language competence is low but not lower, it should be added, than was that of comparably educated Europeans in 1910. About one sixth of these low-level workers enter the United States illegally or overstay their visas. Except for the issue of illegal migration, which did not become a legal issue for non-Asians until 1924, today's unskilled workers are quite comparable to the peasant migrants who came from Europe during the great migration of 1880-1924. However, nearly all of the unskilled migrants now hail from Mexico and Central America. Once in the United States, they flock to a handful of reception cities where colonies of co-ethnics already

live. Despite its distance from the border, Chicago is the third ranking reception center for Hispanic immigrants in the United States.

The economic prospects of unskilled immigrants, heavily Hispanic immigrants are obviously quite different from those of the highly skilled, heavily Asian immigrants. First, the American economy is producing more service sector jobs that demand English skills and fewer unskilled jobs that do not. Second, the educational level of the American labor force is rising, and the lifetime income differentials between college graduates and non-graduates are widening. Third, engineering and medicine are high-income professions in which the United States labor force experiences chronic skill deficits. The skilled and affluent immigrants from Asia and the Middle East fit the changing American economy better than the unskilled immigrants from Mexico and Central America. But the circumstances, even of these, are quite different than a superficial view would suggest.

### Ethnic Economies

To assess the immigrants' actual economic situation, whether high or low status, we need to look behind simple labor force statistics, utilizing, first of all, the concept of ethnic ownership economy that has developed in social science in the last generation. An *ethnic ownership economy* consists of the co-ethnic self-employed, co-ethnic employers, their co-ethnic employees, and unpaid family workers. All workers are either in the ethnic ownership economy or they are in the mainstream economy. Thus, running a small bodega in Little Village, Juan and Maria Lopez are in Chicago's Mexican ethnic economy whereas their neighbor, Jose Garcia, who works for U. S. postal service, finds employment in the mainstream economy. If Juan, Maria, and Jose were the only Mexican workers, we would say that two-thirds of Mexicans found employment in the Mexican ethnic ownership economy. In this way, the concept of ethnic ownership economy permits us to measure what proportion of immigrant workers find employment in businesses owned by co-ethnic immigrants. In an extreme case, 100 percent of immigrants would work in their own business or would work as an employee of a self-employed co-ethnic; at the opposite extreme, none would.

Tables 1 and 2 provide essential information about the ethnic ownership economies of various Hispanic and Asian populations in Illinois and Chicago in 1997. These data are for Asians and Hispanics; therefore, they include native-born Asians and Hispanics as well as immigrant Asians and Hispanics. Unfortunately, no more refined data can be obtained from the published Census. The published Census data distinguish four ethno-national groups (Cuban, Mexican, Puerto Rican, Spanish) among Hispanics. This is not an exhaustive list. The total of these four plus other unnamed the Spanish-speaking groups the U. S. Census calls "Hispanics" or the Hispanic population. One must object that Hispanics do not exist in reality; Hispanics are strictly a creation of the Census for the convenience of Census takers and users. This same objection does not affect the calculation of ethnic ownership economies, which can be constructed for Cubans, Puerto Ricans, Mexicans, separately or in the aggregate for Hispanics. In view of the purposes of this conference, I have chosen to estimate a Hispanic ethnic ownership economy that includes all the groups for whom the U.S. Census provided data.

Table 3 shows what happens when one aggregates all the Hispanic groups' self-employed (including employers) and all their employees in 1997. Chicago had 27,482 Hispanic-owned firms in that year, and these Hispanic firms employed 69,019 persons. If we sum these figures, we learn that 69,019 persons found employment in Hispanic owned firms of Chicago in 1997. This number does not include unpaid family workers, but otherwise it partially corresponds to an ethnic ownership economy. To be sure, the Census data do not indicate what share of the employees of Hispanic employers were themselves Hispanic. The U.S. Census does not collect this information. Nonetheless, we know from social science research that small, ethnic businesses recruit heavily from their own ethnic communities. Among Iranians in Los Angeles, for example, 80 percent of employees were Iranian co-religionists, not just Iranians.

The importance of this issue surfaces as soon as we try to reach an inference about the share of total Hispanic employment that belonged to the Hispanic ethnic ownership economy. Table 4 offers two estimates. In Chicago, the Hispanic ethnic ownership economy employed 26.3 percent of Hispanic workers (owners + employees); in the United States, only 13.5 percent of Hispanic workers found employment in Hispanic ethnic ownership economies. These estimates assume that 100 percent of employees in Hispanic firms were themselves Hispanic. If we assume that only 50 % of employees were Hispanics, we reach lower estimates that are shown in columns 2 and 4. Under a 50% assumption, we find that 16.9% of Hispanics found employment in Chicago's ethnic economy, and 50.6% of Asians. Taking the two groups together, 22.5% of Asians and Hispanics worked in ethnic economies even if we assume that only half the jobs in these economies were filled by co-ethnics. Comparing estimates for Chicago and for the United States, Table 4 also shows that no matter what assumptions we make about the extent of employment in ethnic economies, Chicago's ethnic economies contained a larger proportion of co-ethnics than did the ethnic economies of the United States as a whole.

### Informal Economies

Ethnic ownership economies are not the only place in which immigrants run businesses. They also run businesses in the ethnic informal economy. The ethnic informal economy consists of ethnic firms and their co-ethnic employees who work off the books in unlicensed businesses that pay no taxes and report no statistics to Census takers. These informal firms are strictly speaking illegal because they pay no taxes and evade license requirements, but the goods and services they provide are not illegal. Obviously we cannot turn to official statistics to measure how many persons work in informal economies as the definition of the category is the people official statistics failed to count. The ethnic informal economy is a branch or subdivision of the ethnic ownership economy.

Social science research has disclosed that that many people work in informal economies, especially low-income people. Since the informal economy's firms typically involve only one-person, the owner, nearly all participants in informal economies are self-employed rather than employees. Thus, a post-office employee who repairs furniture

on weekends runs a small business part-time in the ethnic informal economy in addition to his mainstream employment in the post office. Reviewing available literature, Light and Gold (2000: 52) estimated that 20% of the workers in an “average ethnic group” worked full or part-time in an informal economy. This is not a high estimate. In their sample of 450 mostly Hispanic households in Chicago’s Little Village, Tienda and Raijman found that 38% of households were involved in the informal economy. Common occupations in the ethnic informal economy are: beautician, taxi driver, child care provider, lodging-house keeper, street-corner food vendor, fortune-teller, and automobile repairman.

If we add the ethnic informal economy’s participants to the ethnic ownership economy’s participants, we estimate the share of immigrants or ethnics who are supported by co-ethnic self-employment, their own or other’s, independent of the mainstream economy. It is obvious that the share of total employment thus generated is very large. In Chicago, for example, Table 4 estimated that ethnic economy participation ranged from 22.5 to 42.2% of combined Asians and Hispanics. If to these estimates we add 20% for informal economy activity, we reach a combined estimate of ethnic economy participation (ownership sector + informal sector) that ranges between 42.5% and 62.2%. This estimate measures full or part-time participation in the ethnic ownership economy and/or the ethnic informal economy.

#### Declining Self-Employment Rates

The self-employment rates of foreign-born groups are quite uneven. A few celebrated immigrant groups (Chinese, Iranians, Koreans, Israelis) have extraordinarily high self-employment rates (Light and Gold, 2000: 33). Other foreign groups have average self-employment rates that do not claim headlines. Others have lower than average self-employment rates. Nonetheless, taking the foreign born as a category, the self-employment rates of foreign-born groups have been reliably high for as many decades as records exist. Examining this phenomenon, social science research has recurrently found that immigrants of any ethno-racial group tend to display 10-20 percent higher self-employment rates than do native-born persons of the same ethno-racial group. This relationship has held remarkably stable since 1910. Because of this relationship, the foreign born as a group typically have displayed a higher self-employment rate than do the native-born.

The usual explanation has been disadvantage. Because the foreign born are disadvantaged in the labor force than are the native born, it is argued, they are compelled to undertake self-employment. The foreign born are disadvantaged in the labor force for many reasons: they do not speak English well, they lack American diplomas, they are excluded from American professional networks, and they experience discrimination and sometimes racism. True, the native born have more resources of money and education than the foreign born of the same group, and on this basis ought to have higher self-employment rates than the foreign born. However, the foreign born have an enhanced motive for self-employment as a result of their labor force disadvantages, and this motive, coupled with their use of social capital, so it is argued, permits the foreign born to maintain higher self-employment rates than do the native born of the same group.

Disputing this resilient finding, Camarota (2000) showed that the superior self-employment rate of the aggregated foreign born declined after 1960 and then vanished in 1997 (Table 5). On the strength of this empirical finding, and without mounting any attempt to explain the change, Camarota (2000) declared that there is now “no evidence” that immigration increases the aggregate self-employment rate of the United States. However, even if his facts be correct, Camarota’s conclusion misses the point. After all, the key point is not whether the foreign born have higher self-employment rates than the native born. The key issue is whether the foreign born of any ethno-racial or ethno-religious group have higher self-employment rates than the native born of the same group. If they do, then the foreign born still need self-employment more than native-born persons of the same group.

Camarota’s conclusion emerged from an oversimplified analysis that compared aggregated native and foreign-born populations, but excluded intra-group comparisons of native and foreign born. However, that procedure can produce a distortion. When, as a result of changing immigration patterns, the proportion of low-resource immigrants among the foreign born increases, then one anticipates declining self-employment rates among the foreign born – but these should still be higher than the self-employment rates of the same group’s native born. In point of fact, the share of low-resource Latinos in American immigration has increased in the last three decades. This increase has reduced the mean self-employment of the aggregate foreign born population, but it probably has not eliminated the tendency of the foreign born *of any group* to display higher self-employment rates than the native born of the same group. This predicted continuity arises because the foreign born still confront more disadvantage in the labor force than native-born co-ethnics. This disadvantage still gives the foreign born an additional incentive to undertake self-employment.

### Incomes

Gross incomes in ethnic economies are somewhat lower than in the economy’s mainstream, and income per hour is much lower. Gross incomes in ethnic economies are strongest among business owners. Repeated studies have shown that business owners in the ethnic economy earn education-adjusted gross incomes that approximate those of employees in the mainstream economy. Some studies have reported that immigrant business owners earn higher gross incomes than employees in the mainstream, sometimes much higher; other studies have reported somewhat lower gross incomes. Overall, the general impression is approximate parity such that owning a business returns about as much education-adjusted gross income as does having a full-time job in the mainstream. However, although proprietors’ gross incomes are as high in the ethnic economies, their hourly incomes are not. Proprietors work longer hours than employees so, when their incomes are adjusted to an hourly basis, proprietors earn appreciably less than employees in the mainstream. Proprietors do not receive fringe benefits as do employees of the mainstream so their gross earnings overstate their actual welfare when compared directly to gross earnings of employees.

Employees in ethnic owned economies earn wages that are universally found to be appreciably lower than those prevailing in the mainstream economy. Examining Census data for the United States in 1992, Light and Gold (2000: 66) reported that six ethnic ownership economies paid less wages than would be expected in terms of the gross employment they reported. On an average, aggregate gross wages were about 80% of what they should have been, given the gross employment that owners reported. Incomes in the ethnic informal economies are the lowest of any reported; but Tienda and Raijman found that even these low incomes often bring household incomes above the poverty level. In the absence of low-wage employment in the informal economy, many immigrant earners would be unemployed rather than the recipients of low wages.

### Functions of Ethnic Economies

We have seen that ethnic economies provide current income for about half of immigrants and ethnic minorities. This income is especially valuable for those otherwise *most disadvantaged* in the general labor market by dint of low education, poor health, lack of English language skill, lack of child care, exclusion from mainstream social networks, ethno-religious discrimination, or racism. In addition, the ethnic economies support the acquisition of co-ethnics' future income by training participants in workplace skills. Ethnic economies strengthen the human capital of immigrants and low-income ethnic minorities in two ways. First, entrepreneurs are much more likely than employees to report that they once worked for wages in an ethnic economy. This result implies that ethnic economies educate tomorrow's ethnic entrepreneurs. Ethnic economies are the West Point of ethnic business owners. Large ethnic economies generate many people who will later develop a business of their own, but small ones also teach future entrepreneurs their trade. Second, ethnic economies offer a second-tier labor market in which co-ethnics disadvantaged in the general labor market can acquire employment skills. These skills acquired, they can and do find employment in the mainstream, presumably at higher wages. For this reason, the preponderant lifetime career movement of employees is from ethnic economies into the general labor market rather than the reverse. However, just getting the skills in the first place required foreign workers to access an ethnic economy, often thanks to informal social ties and foreign language skills.

When ethnic economies are clustered around a residential core, like Chinatown, they are called *ethnic enclave economies*. All ethnic economies do not and need not cluster. Many do not. However, ethnic enclave economies do cluster around a residential core.<sup>2</sup> Ethnic enclave economies are a special case of an ethnic economy. Ethnic enclave economies obtain economic advantages from clustering. Clustering permits co-ethnic entrepreneurs to capture a higher share of each external dollar that enters their ethnic economy. That is, as an order passes through an enclave economy, on its way to becoming a finished product or service, an ethnic enclave economy has superior capability to aggregate a multiplicity of independent producers toward the completion of the entire order in all its ramifications. This aggregation secures a higher share of the

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<sup>2</sup> Ethnic enclave economies of Chicago include the following: Milwaukee and Belmont area, Polish; Devon and Western area, South Asian; Argyle and Broadway area, Vietnamese; Little Village and Pilsen areas, Mexican; Humbolt Park area, Puerto Rican; Harlem Avenue, Italian; Chinatown, Chinese.

finished product's added value than does a geographically unclustered economy. As a result, ethnic enclave economies may support higher levels of self-employment than do unclustered ethnic economies. For example, in the furniture repair industry, an ethnic enclave economy can capture the carpentry component for one co-ethnic firm, the refinishing for another, the lumber for a third, and the hardware for a fourth. Without the advantage of geographical clustering, the co-ethnics might have captured only the carpentry without simultaneously capturing the refinishing component, the lumber component, and the hardware component of the total order. In this manner, aggregate economic advantage accrues to clustered economies that operate in or around ethnic residential clusters.

Ethnic economies provide a way out of racketeering crime that helps successful criminals find a way into a legal occupation. The classic examples are restaurants, bars, nightclubs, and casinos that racketeers buy or initiate. These are legitimate business enterprises in which racketeers invest illegally acquired capital and from which they can subsequently derive a legal income. When capital is withdrawn from crime, and reinvested in the legal economy, aggregate capital investment in crime is reduced, and criminality thereby discouraged. The myth of Elliott Ness notwithstanding, ethnic economies have drawn more successful criminals out of racketeering than have the FBI, the courts, and the prison system.

Ethnic economies expand the exports of the United States without increasing her imports. Also true in Canada, this finding is best explained by the special language and cultural skills of foreigners. Reliably bi-lingual and bi-cultural, immigrants are in an excellent position to promote American exports in their countries of origin. That they do not also promote American imports from their mother countries is apparently the result of the predominance of English as a world business language in the post-war era of globalization (Light, 2001). Since English has become indispensable abroad, Americans lack incentive to learn foreign languages whereas foreigners know more English than ever before. Therefore, foreigners are able to export to American markets without the help of co-ethnics abroad whereas, when they wish to export to foreign markets, Americans need the help of bi-cultural and bi-lingual foreigners.

Ethnic economies stabilize neighborhoods. Ever since Jane Jacobs' (1961) influential book, we have understood that small business owners provide essential "eyes on the street" that provide a neighborhood watch at no money cost. Shop owners have an economic interest in guaranteeing safe streets for their customers. Gangs shake down shop owners for protection payments, giving the shop owners an economic motive to rid the community of gangs. Vibrant ethnic economies create jobs for corner boys, who might otherwise join gangs.

#### Resources of Ethnic Economies

All market economies depend upon the capital resources entrepreneurs have or can borrow. Educated and affluent immigrants bring with them abundant financial capital and human capital. Naturally, these capital resources underpin their large and successful ethnic economies. In the case particularly of South Asians and East Asians, the

immigrants are very well endowed with these entrepreneurial resources. However, confronting a relative shortage of financial capital and human capital, low-income immigrants must substitute social capital to compensate the shortage as best they can. Social capital means social networks integrated into moral communities. That is, social capital is networks of strong and weak ties that are rendered trustworthy because of the moral norms participants share. An entrepreneur's social capital is the networks he or she can access in this way. A community's social capital depends upon how extensive are its social networks and how completely the participants share moral norms. Entrepreneurs draw upon and reflect their community's social capital. To some extent, social capital can be substituted for financial and human capital. This option makes it possible for low-income immigrant communities to operate bigger ethnic economies than they otherwise could.

To illustrate the substitution of social capital for financial capital, one need only consider the essential problem of how to finance business start-ups. Wealthy entrepreneurs can utilize their personal fortune to this end. Lacking wealth, educated entrepreneurs may be able to obtain bank loans. Poor and uneducated entrepreneurs can neither raise the money from their personal wealth nor borrow from banks. Without social capital, the poor and uneducated entrepreneurs have no further access to financial capital. That is why poor and poorly educated entrepreneurs depend so heavily upon loans from kin and friends. The availability of these loans depends upon the entrepreneurs' social capital. No social capital means such loans are not available at all. Conversely, when immigrant entrepreneurs have abundant social capital, their personal network contains many people who have a motive to help them get started in business, and who trust their probity. Everyone does not have a motive to help fledgling entrepreneurs by lending them start-up capital. Everyone does not trust them to repay their loans. Social isolates will not know anyone who has a motive to help them or who trusts them. Social isolates cannot obtain loans from a social network. However, if an immigrant entrepreneur has a large extended family, participates actively in her or his community, and has a good reputation in that community, then the entrepreneur is likely to have access to many people who do have the necessary motive to help as well as the requisite trust in her or his probity. In this case, an immigrant entrepreneur can borrow start-up funds from friends and relatives that he or she cannot obtain from personal wealth or bank loans. In effect, the immigrant entrepreneurs have substituted social capital they have for financial capital and human capital they do not have.

In Central American, Mexican, South and East Asian immigrant communities, *the rotating savings and credit association* (ROSCA) offers an institutionalized means for tapping the social capital of the community. ROSCAs are informal clubs whose members agree to pool funds, then rotate them around the membership list until all have received the fund. At that point, the club is dissolved, and a new one begun, usually with substantial continuity of membership. ROSCAs usually have 10-35 members, and their duration is 12-36 months. To illustrate their operation, consider a simplified ROSCA with only four members, each of whom agrees to contribute \$100 to the club's fund at the monthly meeting. At the first meeting, a fund of \$400 is created, and member 1 takes the money. At the second meeting, a month later, another fund of \$400 is created, and

member 2 takes it. And so it goes until the fourth and final meeting when member 4 takes the whole fund, terminating the club's existence. At the fourth meeting, the first three participants will have enjoyed advances upon savings (credit). The ROSCA translates the social capital of the participants into credit on the strength of which the immigrants can fund a start-up.

Like a ROSCA, the much-celebrated Grameen Bank of Bangladesh has developed a way to tap the social capital of groups in order to make the members creditworthy. This technique is called microcredit. The Grameen technique requires the existence of "solidarity groups" of five persons each. Usually these are all women. Impoverished individual members of the solidarity group can receive a loan from the Grameen Bank to start a very small business. If all members repay this loan, each member can receive another, slightly larger loan in the next cycle. However, should any member default on her loan, none of the other members can receive a larger loan. For this reason, the members of the solidarity group have a collective responsibility for the success of one another's business. The members of the solidarity groups practice mutual aid and build social capital in the process. The Grameen Bank's technique has been widely copied throughout the world (Yunus, 1998). In Chicago, the Women's Self-Employment Project<sup>1</sup> is the best-known, but not the only micro-credit agency that makes business loans to impoverished women of immigrant and ethnic minority background.

#### Substituting Social Capital for Human Capital

Immigrant entrepreneurs also substitute social capital for human capital. Human capital is an entrepreneur's financial investment in personal skills, usually derived from formal education, but also derived from work experience. When entrepreneurs confront technical, legal, bureaucratic, or accounting problems, their personal skill inventory is the first resource upon which they draw to solve them. The skills inventory includes skills they already have as well as what they know about acquiring new skills and knowledge. Formal education helps in both ways. For this reason, other things being equal, formally educated entrepreneurs are more resourceful than uneducated. When entrepreneurs lack education, and lack even literacy, they lack the resourcefulness that human capital confers. Poorly educated entrepreneurs might hire an expert (lawyer, accountant, engineer, chef) to solve their problem, but they usually lack the money to do that. Under the circumstances, they turn to their social capital, accessing networks from which they can derive the help or information they require. Social isolates do not have anyone who will offer them advice, help, or information. They must understand how to solve all the business problems they face, and, lacking a good education, they do not understand enough.

To get around a lack of human capital, immigrant entrepreneurs enlist help, information, and advice from participants in their social networks. This help is free in the sense that one pays no money for it. But help imposes obligations of later and unspecified repayment in kind. Trustworthy people receive this kind of help. For example, while interviewing Iranian entrepreneurs in Los Angeles, I met one who ran a Greek restaurant. During our interview, his telephone rang, and he conversed with another restaurateur about how to make a certain sauce. Here the business problem was lack of knowledge of

how to make an essential sauce. This problem reflected the entrepreneur's lack of human capital. The solution to his inadequacy was a colleague who knew the answer to his problem, would tell him the answer, and would not charge money for this service. This colleague the entrepreneur accessed through his social network, thus compensating with social capital his personal lack of human capital. Later, should his informant be short-handed some day, the borrower may have to help out at the informant's restaurant in order to pay back what he received without charge. In that sense, the information was not a free gift. Nonetheless, the example shows how uneducated immigrants utilize social capital to escape the human capital limitations they bring to business.

## **2. Policy Recommendations**

### General Policy Guidelines

#### 1. Recognize the economic power of ethnic economies.

Ethnic economies are big; and they generate a lot of income for the most disadvantaged people. Policy makers should support and encourage ethnic economies whenever possible. As is, policy makers ignore ethnic economies, making policy as if they did not exist. When they do that, the social and economic costs of thoughtless and destructive policies are never recorded, measured, or compensated. In effect, just taking account of ethnic economies revises the policy makers' flawed accounting system.

#### 2. Support and strengthen ethnic economies.

True, conspicuous investments directed to big-ticket development projects attract the most attention from the media, who already understand that a new shopping center generates income. If a grocery chain invests one million dollars in a poor community that investment is newsworthy. However, cost-effective measures that directly strengthen ethnic economies belong in a state's or city's policy repertoire too. After all, if one thousand immigrant entrepreneurs invest one thousand dollars in a community, they have invested the same million dollars in their community as did the grocery chain. Why should policy makers ignore their investment, and concentrate only upon the grocery chain's? I recommend a policy of adding consideration of ethnic economies to existing policy options rather than replacing existing policies by equally one-sided dependence upon ethnic economies.

### *What Cost-Effective Policy Measures Strengthen Ethnic Economies?*

#### 3. Improve network access between immigrant entrepreneurs and City Hall.

Immigrant entrepreneurs need access to public policy networks. Foreign language competence in City Hall is essential. Cost: free.

#### 4. Build, support, and maintain public street markets.

Street markets permit microenterprise owners to sell and grow. They fill distribution gaps in inner cities. They permit ethnic economies to interface, thus encouraging the development of social capital across ethnic boundaries. The recent, horrifying destruction of Chicago's famous Maxwell Street market weakened many of Chicago's ethnic economies that had long utilized this facility. Chicago needs more Maxwell Streets, not fewer. Cost: free.

5. Negotiate with spokesmen of street vendors.

Cities can build time, place, and manner guidelines into street vending, and ask the street vendors' own associations to enforce these agreements. Mexico City does this now. As is, cities attempt to drive street vendors away, ignoring the income they generate and the service they perform in hard-to-access markets. The municipality's goal should be to regulate street vending, not to suppress it (Cross, 1999). Cost: free.

6. Support microenterprise programs.

(a) States should remove barriers to self-employment embedded in federal welfare regulations by applying for waivers or by establishing state-funded self-employment demonstration projects. Cost: free

(b) States should include microenterprise development among the programs supported by federal funds that pass through or are block granted to states. Cost: free.

(c) States should support the operating costs, training, and technical assistance activities and the loan capital needs of microenterprise programs. Cost: slight.

7. Amend and clarify banking laws to encourage ROSCAs.

American banking laws do not understand ROSCAs. As a result, they attempt to suppress them when they should strengthen them. Cost: free.

(a) In many sending countries ROSCA contracts are legally enforceable in courts of law. They are not enforceable in American courts; they should be. Cost: free.

(b) States should establish insurance agencies that will sell insurance to ROSCAs. Participants will pay the premiums. Cost: free.

(c) States should license ROSCA organizers. Cost: slight.

(d) Governments should eliminate capital gains tax in small-ticket ROSCAs. These taxes are not paid anyway. Cost: none.

8. Promote education in entrepreneurship.

The Kauffman Foundation of Kansas City would be a valuable resource here as this is their *raison d'être*.<sup>ii</sup>

(a) Make entrepreneurship education accessible to selected prison inmates.

Prisoners have time to study and they have a motive to learn self-employment inasmuch as they face disadvantage in the labor market upon release. When released from prison, trainees will start businesses rather than reverting to criminality. Cost: medium.

#### 9. Support urban gardening.

Urban truck gardens permit poor people to grow food for their own consumption, and to sell their surplus in street markets. San Francisco's League of Urban Gardeners has been promoting gardening successfully in that city.<sup>iii</sup> European cities have long granted garden allotments to working-class residents. Cost: free.

(a) Make the necessary legal changes to permit gardening, e.g. does the landlord have the legal right to prohibit a tenant from gardening on the roof? Can a landlord prohibit bee-keeping? Cost: free.

### 3. Research Needed

#### Basic Research

(1) What is the size of ethnic economies and how much do participants really earn? The Census just needs to ask the right questions to answer these questions.

(2) The informal economy: who participates, how many are they, and how much do they earn? This will require social science research as respondents will not discuss informal economy activities with persons who might be police.

(3) What are the real incomes of the self-employed? Current Census documents overlook depreciation costs, opportunity cost of invested capital, tax evasion. Result: we do not know how much the self-employed actually earn.

(4) To what extent can social capital substitute for financial and human capital? Which industries are most and least amenable to these substitutions?

(5) How is social capital created? What measures are essential to protect existing social capital? How is social capital best measured for various purposes?

(6) What are the consequences of zoning laws, building permits, tax increment financing, and public institution placement upon the success of ethnic economies and ethnic enclave economies? These questions should be asked in advance, and policy framed in the light of their answers as policies are now framed in the light of environmental impact reports.

#### Applied Research

(1) What is the actual current access of immigrant entrepreneurs to City Hall? How could that access be improved?

(2) How do zoning laws, building permits, tax increment financing, and other municipal

regulations impact ethnic economies? What legal changes would strengthen ethnic economies?

(3) What does it take to build a successful street market? What are the economic and environmental costs, if any? What is the best method? Where has this been done?

(4) What and where is the world's best modus operandi between government and street vendors? Can that be copied in Chicago?

(5) Which microenterprise programs have been most successful? How cost-effective are they? Can they be copied in Chicago?

(6) What is the legal regulation of ROSCAs in advanced countries (like Taiwan) where they are widely found? Can that legal structure be copied in Chicago?

(7) What have been the results of entrepreneurship education in prisons? Can existing programs be taken over as is or do they require modification to work in Chicago?

(8) Undertake a worldwide survey of urban gardening programs to ascertain which would be most suitable for Chicago.

## Tables

Table 1 Hispanic-Owned Firms in Illinois and Chicago, 1997

### A. Illinois

	<i>All Firms</i>	<i>Sales (\$000s)</i>	<i>Firms with Paid Employees</i>		
			<i>Firms</i>	<i>Sales</i>	<i>Employees</i>
Cuban	1,341	293,940	275	278,030	1,723
Mexican	15,584	2,471,682	3,996	2,169,958	44,012
Puerto Rican	2,636	203,897	407	146,958	1,704
Spanish	1,014	210,537	153	186,778	1,571
All Hispanic	31,010	4,814,853	6,320	4,173,772	71,692

### B. Chicago PMSA

	<i>All Firms</i>	<i>Sales (\$000s)</i>	<i>Firms with Paid Employees</i>		
			<i>Firms</i>	<i>Sales</i>	<i>Employees</i>
Cuban	1,240		271		
Mexican	14,330	2,365,559	3,792	2,089,339	42,60
Puerto Rican	2,465				
Spanish	822	207,902	151		
All Hispanic	27,482	4,554,316	5,820	3,961,447	69,019
All Hispanic in Illinois					
% Chicago	88.6	94.6	92.1	94.9	96.3

Sources: U.S. Bureau of the Census, 1997 Economic Census, Survey of Minority-Owned Business Enterprises EC97CS-4, Hispanic 1997 (Washington DC: USGPO, 2001)  
Tables 5, 7

Table 2: Asian Firms in Illinois Compared to All Firms in Illinois and Chicago

A. Illinois

	<i>All Firms</i>	<i>Sales (\$000s)</i>	<i>Firms with Paid Employees</i>		
			<i>Firms</i>	<i>Sales (\$000s)</i>	<i>Employees</i>
Asian Indian	10,967	3,929,883	4,363	3,558,181	26,477
Chinese	6,005	5,154,597	3,102	5,022,152	20,909
Filipino	4,219	552,097	594	467,525	3,192
Japanese	1,867	1,835,961	713	1,801,234	6,455
Korean	7,946	1,714,358	3,187	1,454,048	13,568
Vietnamese	1,412	117,903	228		
Hawaiian	458		30		
All Other	3,983	1,540,657	989		
Total	36,857	14,727,553	13,205	13,679,250	80,589

B. Chicago IL PMSA

	<i>All Firms</i>	<i>Sales (\$000s)</i>	<i>Firms with Paid Employees</i>		
			<i>Firms</i>	<i>Sales</i>	<i>Employees</i>
Asian Indian	9,754	3,659,179	3,865	3,333,764	23,782
Chinese	5,305	4,980,572	2,732	4,856,581	18,494
Filipino	3,681	512,641	508	440,606	2,732
Japanese	1,758	1,588,294	702	1,554,643	5,979
Korean	7,323	1,514,670	2,854	1,263,789	10,955
Vietnamese	1,159				
Hawaiian	315				
All Other	3,438	2,472,197	919	836,266	5,926
Total	32,733	13,244,106	11,580	12,285,649	67,868

All Asian in Illinois

% Chicago	88.8	89.9	87.7	89.8	84.2
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Source: U.S. Bureau of the Census, 1997 Economic Census, Minority Owned Business Enterprises, EC97CS5, (Washington DC: USGPO, 2001), Tables 5, 7

Table 3. Ethnic Economies as a Percentage of Co-Ethnic Labor Force, Chicago and the United States, 1997

	<i>Chicago</i>		<i>United States</i>	
	<i>100%</i>	<i>50%</i>	<i>100%</i>	<i>50%</i>
<b>Hispanics</b>				
Firms	27,482	27,482	1,199,896	1,199,896
Employees	69,019	34,510	1,388,746	694,373
Total	96,501	61,992	2,588,642	1,894,249
<b>Asians</b>				
Firms	32,733	32,733	912,960	912,960
Employees	67,868	33,934	2,203,079	1,101,540
Total	100,601	66,667	3,116,039	2,014,500
<b>Asians + Hispanics</b>				
Firms	60,217	60,217	2,112,856	2,112,856
Employees	136,887	68,444	3,591,825	1,795,913
Total EEs	197,104	128,661	5,704,681	3,908,769

Table 4 Ethnic Economies' Share of Co-Ethnic Labor Force, Chicago and the United States, 1997

	<i>Chicago</i>		<i>United States</i>	
	<i>100%</i>	<i>50%</i>	<i>100%</i>	<i>50%</i>
Population 1990				
Hispanics	545,852	545,852	28,269,000	28,269,000
Asians	104,118	104,118	9,171,000	9,171,000
Estimated Labor Force <sup>3</sup>				
Hispanics	366,267	366,267	19,213,000	19,213,000
Asians	69,863	69,863	6,153,741	6,153,741
Total Ethnic	436,130	436,130	25,366,741	25,366,741
<i>Ethnic Economy as % Ethnic Labor Force</i>				
	<i>100%</i>	<i>50%</i>	<i>100%</i>	<i>50%</i>
Hispanics	26.3	16.9	13.5	9.9
Asians	69.4	50.6	50.6	32.7
Both Groups	45.2%	22.5	22.5	15.4

Sources: U. S. Bureau of the Census, County and City Data Book 1994 (Washington DC: USGPO, 1994) Table 3; Idem., Statistical Abstract of the United States: 1997 (Washington DC: USGPO, 1997), Tables 19, 402; Idem., 1997 Economic Census, Survey of Minority-Owned Business Enterprises, Asians and Pacific Islanders EC97CS5 (Washington DC: USGPO, 2001), Table 2; Idem., 1997 Economic Census, Survey of Minority-Owned Business Enterprises, Hispanic EC97CS4 (Washington DC: USGPO, 2001), Table 2

Table 5 Self-Employment Rates, Native and Foreign Born, 1960-1997

	<i>1960</i>	<i>1970</i>	<i>1980</i>	<i>1990</i>	<i>1997</i>
Foreign Born	13.8	11.7	9.9	11.1	11.3
Native Born	9.6	8.9	9.1	10.1	11.8

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Sources: Camarota 2000  
Persons 25 years of age and older

<sup>3</sup> Assumes 67.1% joint participation rate for males and females combined.

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<sup>i</sup> Call them up! 312-606-8255.

<sup>ii</sup> The Kauffman Foundation's website is [www.emkg.org](http://www.emkg.org).

<sup>iii</sup> Visit their website: <http://www.slug-sf.org>