

Ethnic Economies

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An important feature of the economic character of Asian American experience for some BUT not all Asian American groups is the formation of ethnic economies. An ethnic economy may be defined as an economic sub-system within the larger American economy in which most of the capital, business ownership, workers, and customers are associated with a particular ethnic group. Some writers refer to such economic systems as “enclave” economies. The formation of such economic systems has been an important feature of past Japanese American experience, both past and contemporary Chinese American circumstances and appears to be becoming an important feature of Vietnamese American experience as well. Ethnic economies are not as important for Filipino Americans, Korean Americans, and some of the other Southeast Asian American groups although partial ethnic economies may develop for these groups on a local level.

Ethnic economies usually come into being when the group generates a demand for specialized goods and services that are not available from other sources. For this reason they are often associated with immigration, as the combination of lack of English language skills and a desire for familiar foods, entertainment, and other aspects of their culture may serve to create a market for such items and services that cannot be met by “mainstream” businesses and service providers. These demand serves create an economic niche that may provide business and employment opportunities to members of the group.

Ethnic economies of one type or another have also been a feature of immigrant experience for many but not all European immigrants, most notably for southern and eastern European immigrants in the period between 1900 and into the 1960s. They often serve to provide an economic beginning for groups in the United States and also serve to introduce new cultural elements both to the immigrants and to the larger society.

The key to the successful operation of an ethnic economy is the circulation of capital WITHIN that economy. Consider the following example:

A Chinese American working at Macy’s (not an ethnic business) receives their paycheck. Having deposited it at a bank and receiving some cash they take the bus home to the Richmond District. On the way they stop at a

Chinese American market on Clement Street to buy food for supper. They pass money across the counter to make the purchase - what then happens to that money?

a) part of it goes to pay for the store lease - which may or may not involve payment to another Chinese American, depending on the ownership of the property.

b) part of it goes to pay for new store inventory - almost certainly going to a Chinese American owned wholesaler/distributor of specialized foods, many of which are imported.

c) part of it goes to store employees - most of whom will also be Chinese American.

d) part of it goes to profit for the store own/operator

e) this profit may help the owner buy a home, probably with the paid assistance of a Chinese American realtor and also a Chinese American loan broker.

f) when the owner wants to fix up their new home they will use part of that money that crossed the counter to pay a Chinese American contractor to do the work.

This example could be continued - but you should get the point that every time that the money changes hands it creates economic activity. To the extent that it changes hands within the confines of a particular ethnic group - in this example Chinese Americans - it creates economic activity within that group - an ethnic economy. A little thought will make clear that there is a quite extensive Chinese American ethnic economy in the Bay Area that is supported by this circulation of capital within the group.

The significance of such circulation of capital may best be understood by considering what happens if it does not occur. Many years ago I attended meeting on community development in Arizona in which the economic development officer of the Navajo Tribe discussed their economic difficulties.

[By way of background, you need to know that the Navajo Tribe (also know

as the Navajo Nation) is the largest native tribe in the United States. Collectively the tribe has money but because there are so many Navajos many are not that well off individually. So a big challenge for the tribe is how to engage in economic development to help support its members.]

The development officer explained that they had recently conducted a survey of cash flow on the Navajo Nation in which they had discovered that for every dollar that entered Navajo hands, from what ever source, 90 cents left Navajo hands at the first transaction! The result was there was only 10 cents left to generate economic activity for another Navajo. On a practical basis this meant that Navajos - collectively - were not benefiting fully from their own earnings - most of the benefits when to other people.

In the case of successful Asian American ethnic economies, the circulation of capital within the group provides economic benefits in the form of business and jobs for other members of the group, as well as providing desired goods and services. This is particularly important in an immigrant community where people may face economic hurdles created by language barriers, lack of local job experience, and displaced skills. The existence of an ethnic economy serves to provide jobs and business opportunities for people who might otherwise have a hard time finding employment in the larger workplace, in the process helping them to survive and adapt to life in the United States.

The development of ethnic economies may also serve to assist in the development of a sense of community. This occurs on a number of levels:

a) businesses provide visibility - the presence of large numbers of businesses serving a particular group may serve to make that group more visible to its own members as well as to other people - creating at least the sensation that there may be a community.

b) large numbers of business usually - over time - generate various types of business organizations. While business people are in competition with each other they also have common interests, particularly in the realm of things like zoning, business regulations, etc, which may lead them to form organizations to look after their interests. Organizations are also a part of community building.

c) the development of a concentrated ethnic business area also provides a

connecting point for a community - a place or places where information can be obtained or disseminated in both formal and informal ways. Certain types of business - bakeries, coffee shops, restaurants - also serve as places for people to get together.

d) successful ethnic economies also generate capital - which can be used for further business building but some which also can go to building less commercial aspects of community - to help support cultural groups, service organizations, political associations, etc.

e) they may also help in the development of a political voice for a community - through the combination of all the elements listed above. Building a political voice needs organizations, it needs money, it needs people. In your readings is discussion of the Japanese American community in Gardena, a community notable as the first Asian American community on the mainland to successfully develop an Asian American political voice in the electoral area - by getting Japanese American elected to political offices. It is not an accident that this political power followed rather than preceded the development of economic and cultural community in Gardena.

So far it may appear that ethnic economies are wonderful - and indeed they do provide important benefits to a groups as well as to individuals. It should also be recognized, however, that ethnic economies usually suffer from a number of limitations which are not so positive. These follow from a number of common characteristics of Asian American ethnic economies:

a) they are relatively small in economic scale (although this may be changing in some regions of the country) - this means that most businesses within them are also small, often owner operated and with only a few employees. In such settings employee wages tend to be low and benefits absent.

b) this situation is aggravated by the fact that many employees in ethnic economies may have a hard time finding employment in the general labor market due to language and other barriers - employers know this and this leads to exploitation of workers.

c) consequently, while ethnic economies can be very important survival areas for immigrants, they can also be trapped in low paid positions with bad working conditions. This reality is aggravated by the relative lack of

opportunity for upward mobility resulting from the small scale of most business operations. If a business is owner operated or small there is no way for an employee to move up - there is entry level and little else. The only way up is to become a business owner yourself.

d) ethnic economies based on the specialized demands of immigrants are also very susceptible to changes in immigration - if immigration continues at a high level the economy may continue to thrive but if immigration drops, then over time the economy will suffer. As each additional generation in the US becomes more acculturated they are likely to become more involved in the general economy, both in employment and in their spending.

e) traditionally, as small scale systems the amount of capital generated in an ethnic economy is small as well, this means that it has been difficult, although not impossible, for such economies to be the base from which to expand into the larger national economy.

There are new trends in Asian America ethnic economies that may serve to challenge some of the limitations just described. Several factors are changing the character of some Asian American ethnic economies. Most significant has been the rapid growth of Asian American populations, especially in some regions of the country, the S. F. Bay Area perhaps being the most obvious. As population grows and expands its geographic scope the Bay Area, the Chinese American ethnic economy of the regions has become quite sizable and not limited to a few locales.

Larger population means a larger market for businesses, which makes it possible for business to grow in scale. There are now sizable Asian America business chains in the Bay Area - perhaps most visible being Ranch 99 Market, based in southern California but with a growing number of outlets here. Such enterprises are no longer owner operated, and as they grow in size provide at least the potential for some internal up-ward mobility for employees. In principle, they should also pay better, but that point has not yet arrived.

The growth in the scale of the Chinese American ethnic economy of the region has also served to generate increasing amounts of capital, some of which is now being used to establish businesses outside the ethnic economy. This process has also been enhanced by the arrival of investment capital from the growing economies of Asia. Locally, one of the important products

of such capital growth has been development of Asian America high tech businesses in Silicon Valley.

The growth in scale, while providing potential for significant positive developments, also has some negative aspects. Small scale, particularly family based, businesses, have increasingly been squeezed out of some neighborhoods as they cannot compete for commercial space with the more heavily financed business that have grown in recent years. Service and sales for local residents have tended to suffer in the process. Also the push of capital into some Asian American communities has served to threaten low and medium income housing, as owners found it more profitable to convert to commercial space or to transform the housing into high cost residences. In some communities - SF Chinatown for example - these trends led community groups to come together to push the city to enact zoning controls to limit the negative impacts on housing and small businesses.

Finally, the growth of the scale of ethnic economies, together with associated changes in the economic mix of immigrants, has served to widen the economic and social gap between upper and lower ends of the communities. This is, of course, part of a larger process but presents challenges to the character of communities.

In conclusion - ethnic economies can be seen as important components of life in the United States for many - but not all - Asian Americans. Existence of such economies often helps in formation and definition of communities, provides business and employment opportunities with certain limitations, and may - some cases - be providing the foundation for significant movement of Asian Americans in the the economic and political life of the larger society.

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