Introduction: Immigrant Businesses and their Economic, Politico-Institutional and Social Environment

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Introduction

‘The West is best again’, featured in *The Economist* (9 August 1997), describes the remarkable recovery of California’s economy in the mid-1990s. ‘After its worst recession in half a century, California’s economy is once again outshining the rest of the country.’ Contrary to the previous boom in the 1980s, which was led by the Los Angeles aerospace industry and nurtured by federal dollars for the build-up of the defence industry, today’s economy is much more diversified. A ‘surprisingly wide range of industries’ are doing well, from computers and software, to films, furniture and tourism, as well as clothing and toys (see also *The Economist*, 31 May 1997). The clothing industry of Los Angeles is now the largest in the country, easily surpassing New York, and it is still growing. The city’s producers of clothing – often Korean immigrants who hire Latino workers – are part of a system of flexible production in which firms respond quickly to subtle changes in fashion. The close connections between these producers and trend-setting Californian designers constitute another asset of the industry as a whole.

A more or less similar mushrooming of relatively small businesses can be observed in the toy industry (*The Economist*, 6 September 1997). The bulk of companies in the Los Angeles toy district are run by ethnic Chinese immigrants, along with a handful of Mexicans and Koreans. They are well connected to cheap industries in the toy capital of the world, Hong Kong; and by cooperating with a cluster of competitor neighbours they are able to share infrastructure such as shipping, and thus save costs. Growth in the diversity of industries has not only reduced California’s dependence on public finance but also its dependence on large companies, since more than half of the businesses have
only a handful of employees per company. Together they have contributed to the creation of virtually countless jobs to the advantage of, among others, many newcomers. To be sure, the present economic boom coincides with a peak in immigration from Third World countries, a process that took off in the mid 1960s and has resulted in Los Angeles becoming the United States’ number one city of immigration.

This development is not unique to Southern California – one can witness similar economic and demographic developments in other North American and European metropolitan areas such as Miami, New York, Amsterdam, Berlin, London, Birmingham and Paris. First in the United States and Britain, and later in other advanced countries in Europe, the number of small-scale entrepreneurs has greatly increased (OECD, 1993), and so has the share of immigrants in the population. Quite a number of them have entered self-employment, making it obvious that immigrants play an important role in these advanced urban economies (cf. Barrett et al., 1996; Body-Gendrot and Ma Mung, 1992; Häussermann and Oswald, 1997; Light and Rosenstein, 1995b; Portes and Stepick, 1993; Rath and Kloosterman, 1998; Waldinger, 1996a).

The emergence of a ‘bourgeois class’ of immigrant entrepreneurs is, at least ostensibly, at odds with the bleak picture painted by many researchers and other observers. According to the latter view, even in times of economic boom immigrants find it difficult to obtain work due to insufficient education, their one-sided networks and discriminatory recruitment procedures. As immigrants are often – or seem to be – subjected to permanent social exclusion, many have concluded that they constitute ‘a new urban underclass’ (cf. Clark, 1998). This conclusion, however, is misleading in relation to the entrepreneurial immigrant. It is a fact that numerous immigrants – making use of their own capital and favourable economic conditions – successfully make the transition to self-sufficiency via entrepreneurship and achieve a high degree of economic success. In so doing they show that these rather gloomy conclusions fall short of describing what is really happening in many advanced cities (cf. Srinavasan, 1995; Waldinger and Bozorgmehr, 1996; Werbner, 1980).

Having said this, it should be admitted that all that glisters is not gold. For many immigrant entrepreneurs economic success is not assured: more often than not their entrepreneurship involves low-level activities that take place on the fringe of the urban economy. They operate at the lower end of the market where obstacles to admission are weakest, but even here they lead a difficult existence economically. Although immigrant entrepreneurs work long hours – often assisted by