Economic Sociology and the Sociology of Immigration: A Conceptual Overview

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The sociological perspective on the economy is currently experiencing a vigorous revival. Its resurgence has been due, in part, to mounting doubts within the discipline of economics itself that neoclassical theory provides a satisfactory framework for the explanation of numerous aspects of economic life. In part, economic sociology has gained renewed energy from the realization among sociologists that much of what is missing in the dominant economic approach is social in nature and, hence, within their purview. With some exceptions, sociology has left behind rigid versions of both functionalism and Marxism, and this has given the discipline new freedom to reconnect with its classical roots and explore what it has to say about different aspects of the contemporary world.

This revival may be further stimulated by linking theoretical developments in economic sociology with related subfields where a body of relevant empirical research has accumulated. Of these subfields, few have experienced more vigorous growth in recent years than the sociology of immigration. Unlike economic sociology, which reemerged as an outcome of recent theoretical debates, the resurgence of the sociology of immigration has been event-driven. More precisely, it has paralleled growing interest in the expanding immigrant populations of the United States and Western Europe and concern about the consequences of their presence. To the extent that
immigration has been perceived as a "social problem," the growth of sociological research has followed the dynamics of other applied subfields of the discipline. However, unlike most of those subfields, the study of immigrant adaptation possesses its own independent theoretical tradition dating back to the origins of the discipline.

Sociological studies of immigration and ethnicity bear directly on theoretical developments in economic sociology because they provide a distinct set of empirical materials to draw on for the generation and refinement of general concepts and hypotheses. Seldom are the social underpinnings of economic action laid bare with such clarity as in the processes that give rise to immigration and determine its outcomes. The linkage was already apparent in early sociological studies of immigrant groups in North America, where the focus was on the social structures that organized the transoceanic journey and permitted the survival of newcomers in a hostile environment. Robert Park's "marginal man" was rooted in the immigrant experience, which gave the concept the heuristic power to become a central feature of sociology's theoretical arsenal. Classical studies of the economic adaptation of immigrants, most prominently The Polish Peasant in Europe and America, not only reflected the sociological ideas of the time but influenced theoretical developments for decades to come. In the current climate of revived interest in what sociology has to say about economic life, the field of immigration represents, in Merton's term, a "strategic research site" (SKS)—an area where processes of more general import are manifested with unusual clarity.

The task of integrating findings and hypotheses in the sociology of immigration with the more abstract concepts of economic sociology has not yet been systematically attempted. We believe that such an exercise can have a significant theoretical payoff. In order for the new economic sociology to live up to its promise, it must move beyond general sensitizing notions or critiques of the reigning economic paradigms and apply its propositions to concrete aspects of social reality. If it is possible to isolate specific areas of economic life that are best explained by a sociological perspective and identify the most useful applications of theoretical notions to this task, we will have contributed significantly to an emerging field. The remainder of this chapter attempts to lay the groundwork for this enterprise by reviewing central concepts in economic sociology and the sociology of immigration. I select a set of concepts from each subfield and investigate their interrelationships.

Five from Economic Sociology

Socially Oriented Economic Action

Economists and sociologists agree that economic action refers to the acquisition and use of scarce means. All activities required for the production, distribution, and consumption of scarce goods and services are conventionally characterized as economic. There is less agreement, however, on the array of motives of economic actors and on the socially patterned influence of others upon their activities. The triumph of the neoclassical perspective in economics hinged on the adoption of a set of simplifying assumptions about human action that allowed the construction of complex mathematical models. Individuals are assumed to act in pursuit of their maximum personal utility, defined as the accumulation of scarce means. Competition between individual maximizers takes place on a level field—the market—where buyers and sellers meet. Market supply and demand are kept in equilibrium through the price mechanism. Any external interference with prices reduces the capacity of the market to allocate scarce means efficiently.

Rationality in this system is defined as the unimpeded pursuit of gain by economic actors, be they individual or corporate. Many neoclassical economists are plainly aware that these are only heuristic assumptions which, they argue, lead to internally consistent and predictively powerful explanations of economic events. While agreeing that this is the case, other social scientists have observed that there are many situations where these assumptions neither hold true nor lead to accurate predictions. The field of behavioral economics has focused on the assumption of rationality and shown its untenability in various contexts. Most of this work has been conducted from the standpoint of individual psychology.

Economic sociology has been less concerned with psychological constraints on individual rationality than with those created by the social environment. Research in this field has focused on the ways in which social influences modify the assumed maximizing behavior of individuals and lead to predictions differing from those of conventional economic models. This perspective assumes that actors are rational, in the sense of pursuing goals through deliberately selected means, but that they are not socially atomized. On the contrary, social relationships enter every stage of the process, from the selection of economic goals to the organization of relevant means.

The most succinct classical formulation of this approach is found in the writings of Max Weber. In Economy and Society, as is well known, Weber distinguished three types of action: those guided by
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habit; those guided by emotion, and those guided by the deliberate pursuit of goals. The last of these, described as "rational" action, is in turn differentiated by whether its means-end structure is oriented toward the pursuit of individual ends (zweckrational) or the pursuit of some transcendental value (wertrational). This typology identifies the type of action assumed by neoclassical theory as simply one ideal construction among several, all of equal plausibility. Moreover, Weber also assumes that rational instrumental action is socially oriented in the sense that it takes into account the behavior of others and is thereby oriented in its course.

"Taking account of others" is not meant by Weber solely in the sense of formal considerations attending market transactions but, more importantly, in the sense of substantive expectations linked to sociability. By virtue of membership in human groups—from families to churches and associations—individuals acquire a set of privileges and associated obligations that simultaneously further and constrain their selfish pursuits. Even more importantly, every interaction, including market interaction, creates sociability in the sense of generating over time a complex of stable expectations, status rankings, and emotions.

The postulate of socially oriented economic action, therefore, is not simple but contains several related subarguments. For the sake of clarity it is convenient to list them as separate analytic types, although this does some violence to reality:

1. Economic action is socially oriented in the sense that it can be governed, in whole or part, by value introjection. Included in this category is not only the type of behavior dealt with in economics and sociology under the label "altruism" but also, and more generally, every action guided by moral considerations. Morality or the acting out of collectively held values may influence both the character of personal goals and the selection of means to attain them.

2. Economic action is also socially oriented in the sense that the pursuit of material gain interacts with other self-centered goals such as the quest for approval, status, and power, all of which depend on the opinions of others. Wholly unrestricted maximizing behavior commonly meets with disapproval by others in the same social milieu, especially if it is pursued without regard to their own interests. The accumulation of the valued goal, wealth, may thus come into conflict with the realization of another valued goal, social status, and with the unhampered exercise of the power that wealth itself confers. The accumulation of material means compels others to do one's bidding, but it does not by itself create the auctoritas that leads others to do so willingly. The Weberian distinction between power and authority thus bears directly on how economic action is conducted, insofar as authority is guided by concerns for legitimacy.

3. Finally, economic action is socially oriented in the sense that even the unrestricted pursuit of gain is constrained by reciprocity expectations built up in the course of social interaction. The accumulation of social "chits" is central to the pursuit of economic advantage insofar as they facilitate access to information, capital, and other scarce resources. By the same token, such access is granted in the course of everyday transactions with full expectation that it will be reciprocated. Over time, each economic actor becomes surrounded by a dense web of expectations built in this manner. Nonobservance of reciprocity expectations carries the threat of immediate or delayed retribution either by the aggrieved party or by her associates. The existence of such social obligations does not guarantee that economic actors will not pursue their own self-interests, but it insures that they will conceal, as much as possible, those aspects of their actions that carry the threat of sanctions. Their behavior will be modified accordingly.

The various types of social influence on economic action, of course, combine in a multiplicity of ways in concrete situations. Their analytic separation remains useful, however, both because of their implications for the prediction of actual behavior and because they help identify different stages of sociological theorizing about the economy. An "oversocialized" conception of action in which individual conduct is guided primarily by value introjection (type 1 above) became the focus of functionalist economic sociology. As elaborated by Parsons and Smelser, the economy was portrayed as existing to fulfill one of the key functional prerequisites of society, with economic actors oriented fundamentally by moral imperatives.

This conceptualization did not prosper, in part because its theoretical categories were so abstract and its implications for individual action so stereotyped. Economists had no trouble pointing to systematic deviations from the expected behavioral pattern, and many lost no time in debunking what they saw as sociologists' "naive" view of human nature. The reemerging field of economic sociology...
has not abandoned moral considerations as an aspect of social influence on economic behavior but has focused, to a greater extent than earlier schools of thought, on the remaining types described above (2 and 3), both of which assume self-interested actors. It has paid close attention to the structures from which values and norms, criteria for social approval, and reciprocity expectations stem. To these I now turn

**Embedded Transactions**

The concept of embeddedness refers to the fact that economic transactions of the most diverse sorts are inserted in overarching social structures that affect their form and their outcomes. The concept originated with the Hungarian anthropologist Karl Polanyi, who used it to argue that the market, far from representing the universal form of economic organization, is just one historically situated form corresponding to modern capitalism. The concept was then adopted by Mark Granovetter, who noted that while Polanyi had been right in pointing to the role of social forces in structuring pre-capitalist economies, he had been wrong in assuming that such influences ceased to operate in modern market transactions. Granovetter went on to summarize a number of research findings indicating how social expectations modified and even subverted the original intent of both market transactions and transactions conducted within firms.

In later work, Granovetter distinguished between “relational” embeddedness, referring to economic actors’ personal relations with one another, and “structural” embeddedness, referring to the broader network of social relations to which these actors belong. The relational type of embeddedness includes the normative expectations, quest for mutual approval, and reciprocity transactions discussed above. The structural type calls attention to a factor of a different order of magnitude, namely the insertion of economic exchanges into larger social aggregates in which many others (aside from the actual participants in the exchange) take part. Such aggregates then become the source of normative expectations for particular transactions and the conferrers of valued rewards such as social standing and esteem. Compared with isolated individuals, they also provide a greater deterrent against violations of interpersonal reciprocity obligations.

From the myriad empirical examples that can be used to illustrate the significance of structural embeddedness, I select just two. The first is Ronald Dore’s analysis of the decentralization of Japanese textile production and the emergence of “relational subcontracting” between spinning companies (the small merchant-converters who turn yarn into cloth) and an array of dyers, beamers, and weavers. Contracts between participants in this densely articulated production process are stable and not easily altered by the advent of cheaper alternatives that might be supposed to induce some to switch suppliers. Such “rational” market behavior is frowned upon by the community to which both merchants and suppliers belong instead of opportunistically shifting his business to cheaper suppliers, a buyer will point to them and encourage his long-term associate to imitate them:

> the more common consequence is that other merchant-converters go to their finishers and say “Look how X has got his price down. We hope you can do the same because we really would have to reconsider our position if the price difference goes on for months. If you need bank finance to get the new type of vat we can probably help by guaranteeing the loan.”

Such behavior would appear irrational for isolated maximizers but is entirely explainable by the structural embeddedness of these transactions. To do otherwise would be to risk incurring serious social and economic penalties. Actors in this system can switch business associates, but only after making a demonstrable claim that their current associates have violated reciprocity expectations. Then the shift is socially legitimized as part of the collective sanctions against violators.

The second example is closer to home and involves executives of a large American manufacturing conglomerate specializing in electronic games, toys, and computers. Morrill conducted a study of the corporate headquarters of this company that revealed the development of an adversarial culture among executives in response to outside takeover pressures and managerial innovations. Public confrontations between executives became commonplace and led to the creation of an elaborate ritual as well as a rich imagery to describe these encounters. Executives engaged in “shootouts,” and entire departments “went to war,” with initial skirmishes followed by the tossing of “hand grenades” toward the adversary camp.

In this highly competitive environment, opportunistic behavior—known as “ambushing” or “flying low” to avoid open confrontation—was possible, but only at the cost of serious status loss. “Honor” became the executives’ most prized commodity and was earned through straightforward behavior, making strong presenta-
tions in public debates, and above all, learning how to win and lose with grace. Those who adhered to this normative code became "white knights" or "white hats." Less honorable executives could win a skirmish or duel through guile, but were promptly dubbed "black hats" and often forced to move to a different department or resign from the company ("jump ship"). According to Morrill, the pursuit of honor in corporate joustings became so dominant that the substance of debates commonly took a back seat to the etiquette with which they were conducted.

challenges and counterchallenges indicated a "duel" would occur at the next team meeting. Besides carefully preparing their presentations, each of the principals prepared themselves through rituals common in such situations. All of the principals wore their lucky ties and "black vests" to fend off "bullets" from the opposition. The rest of the team knew of the "duel" via an agenda circulated three days prior to the meeting. As was customary, an uninvolved team member spun a gold ballpoint pen flat on the meeting table; the principal to whom the ink end pointed was allowed to choose the order of presentation.

Such elaborate games may appear irrational when evaluated from the standpoint of the "real" goals of the corporation. To be sure, corporate profit seeking and individual income maximizing remain important aims, but plainly they must be pursued within the constraints of an elaborate social code that extracts severe penalties for deviance. Not interpersonal transactions but the larger social world of which all transactors are part becomes the prime source of expectations guiding individual action.

Social Networks

Social networks are among the most important types of structures in which economic transactions are embedded. These are sets of recurrent associations between groups of people linked by occupational, familial, cultural, or affective ties. Networks are important in economic life because they are sources for the acquisition of scarce means, such as capital and information, and because they simultaneously impose effective constraints on the unrestricted pursuit of personal gain. As an illustration of their first function, consider Dalton's analysis of the ways in which department heads in a large industrial corporation tipped each other off in advance about the "surprise" visits of central auditing staff and helped each other conceal what they did not want auditors to see or count.

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Notice that a count of parts was to begin provoked a flurry of activity among the executives to hide certain parts and equipment. As the practice developed, cooperation among the chiefs to use each other's storage areas and available pits became well organized and smoothly functioning. Joint action of a kind rarely, if ever, shown in carrying on official directives enabled the relatively easy passage of laborers and truckers from one work area to another. 22

As an example of the second function (imposing constraints on maximizing behavior), recall the limits on extra work effort established by networks of industrial workers who develop norms as to what constitutes a "fair day's labor." Individual workers could gain extra pay and promotions by exerting themselves, but they are kept in line by effective pressure from their peers. First reported in the famous Hawthorne plant studies, the pattern has been noted since in a number of studies of industrial plants both in the United States and Europe. 24

Social networks differ in several dimensions that have direct consequences for economic behavior. Size and density are the most important. Size refers to the number of participants in a network and density to the number of ties between them. Boissevain has noted that the larger the size of the network, the more difficult it is for all members to be interrelated and, hence, the lower the density. Relatively large and dense networks are, however, most effective in developing normative expectations and enforcing reciprocity obligations. This may be appreciated in the difference between the two types of networks portrayed in Figure 1.1: A's violation of reciprocal obligations to B is likely to incur a lesser cost (and hence be a more tempting option) when B is relatively isolated than when B is closely connected with a network of other members. 28

Figure 1.1 also highlights another important dimension of networks, namely the relative centrality of members. Power tends to be correlated with this dimension. In the top diagram, A is subject to weak social controls and able to control flows of information among other network members. A is thus in a relatively stronger position to reap the advantages and avoid the costs of social interaction within this particular configuration. In the bottom diagram, centrality is much lower and hence the effectiveness of the network in creating common expectations and monitoring individual compliance is much greater.

Two other important aspects of networks are their clustering and multiplexity. These are illustrated in Figure 1.2. Clustering refers to the degree to which subsets of a network have greater density than
I. Low density, high centrality:

II. High density, low centrality:

the network as a whole. These subsets are sometimes called cliques. Multiplexity is the degree to which relations between participants include overlapping institutional spheres. For instance, individuals who are work associates may also be linked by family ties, political affiliations, or club memberships. The top panel of Figure 1.2 presents a partially clustered, relatively dense uniplex network of the type commonly found in corporate offices and illustrated by the referenced studies of Morrill and Dalton. Cliques are formed in these situations to defend common interests or aggressively pursue greater control over resources. They may be “horizontal” when they involve individuals of similar power and centrality, or “vertical” when a more powerful figure bestows special favors on subordinates in exchange for deference and collaboration. Cliques 1 and 2 in the figure approximate these situations.

The bottom panel of Figure 1.2 exemplifies a heavily clustered,
multiplex, dense network of the type found by Boissevain in the Maltese towns he studied. Clusters of kin are overlaid by multiple work, religious, and recreational ties. Family cliques are, in turn, heavily linked to one another by residential proximity, occupational pursuits, and church activities. In these situations, where “everyone knows everyone else,” community norms proliferate and violations of reciprocity obligations carry heavy costs. Solidarity within family cliques is intensified as a way of differentiating them (and sometimes protecting their members) from an already dense web of “outside” relations.  

As these examples suggest, networks can link individuals within organizations and communities and across them. Networks are not the only social structures in which economic action is embedded and, in fact, they often emerge as features of larger aggregates. However, networks generally constitute the more immediate settings influencing the goals of individuals and the means and constraints in their paths. Depending on the characteristics of their networks and their personal positions within them, individuals may be able to mobilize a significant amount of resources, escape close scrutiny of their selfish behavior, or on the contrary, be tightly bound by group-enforced expectations.

Social Capital

Social capital refers to the capacity of individuals to command scarce resources by virtue of their membership in networks or broader social structures. Such resources may include economic tangibles like price discounts and interest-free loans, or intangibles like information about business conditions, employment tips, and generalized “goodwill” in market transactions. The resources themselves are not social capital; the concept refers instead to the individual’s ability to mobilize them on demand. The key conceptual characteristic of such resources is that, from a market standpoint, they are free to recipients. They have the character of “gifts” since they are not expected to be repaid by a certain amount of money or other valuables in a given period of time.

Resources acquired through social capital often carry the expectation of reciprocity at some point in the future. Unlike the expectations involved in market transactions, these expectations tend to have a diffuse time horizon, without fixed deadlines. In addition, the very character of the repayment is flexible since it may involve a “currency” of a different nature from that in which the original gift was made. To illustrate the differences between market transactions and transactions underwritten by social capital, consider the example of money loaned to start a business. If the loan is from a bank, it is collateralized and carries with it a schedule of payments of principal and interest according to market rates. If the loan comes from a long-term business associate who definitely expects repayment, collateral may not be required and interest may be charged at a lower rate. The loan also could have been obtained from a long-term friend who charges no interest and simply asks for repayment “when conditions permit.” And finally, it may have been granted by a loving parent who expects no money back, just the affection and respect of a child in need.

Similar variations occur with regard to business advice, the letting out of contracts, the hiring of employees, and a host of other economic transactions. In each of them there is room for transactions that appear to involve the exchange of “something for nothing.” The ability to obtain such gifts (social capital) does not inhere in the individual, as the possession of money (material capital) or education (human capital) does, but instead is a property of the individual’s set of relationships with others. Social capital is a product of embeddedness.

We can distinguish two types of motivation on the part of donors of such gifts. Social capital may arise because donors feel that granting these resources is the right thing to do either to fulfill moral obligations or out of emergent solidarity with a particular individual or group. A Christian may give alms to the poor because she learned in childhood that charity is a good thing. The same person may also contribute to a college fund to support students of her own ethnic group out of solidarity with their needs. Such “principled” sources of social capital are conceptually distinct from those based on the second type of motivation, donors’ self-interest. Gifts may be granted to others in the same organization or community because donors fully expect something in return, either in the form of commensurate economic resources or nonmaterial rewards such as social standing and approval.

In a dyadic or triadic situation (relational embeddedness), expectations of reciprocity are based exclusively on past knowledge of other actors and the ability of each individual to withhold resources or apply sanctions if expectations are not satisfied. As we have seen (Figure 1), this is a weaker basis for the fulfillment of expectations than exists when both actors are part of a broader network of relationships (structural embeddedness). In the latter situation, economic transfers can proceed with confidence that others will fulfill their obligations lest they be subjected to the full weight of collective sanctions.
The mechanism at play in this case may be labeled “enforceable trust,” insofar as the ease with which transactions, concessions, and gifts are made among members of the same community is undergirded by certainty that no one will shirk their eventual repayment. Clearly the configuration of the social networks involved and the position of individuals within them affect the strength of this mechanism. Drawing upon the discussion in the preceding section, we can conclude that the greater the density and multiplexity of the networks involved and the less central the position of an obligated member, the greater the trust in her/his fulfillment of reciprocity expectations.

Figure 1.3 summarizes this discussion and illustrates it with some examples. The concept of social capital represents a shorthand for the positive economic effects stemming from social structures. It is important, however, not to lose sight of the fact that the same social dynamics that produce altruistic gifts and concessionary favors can also constrain individual economic pursuits. Sociability is a two-way street and the resources gained from fellow community members and social network members, although in appearance “free,” do carry hidden costs. Two of these will be described as illustrations of this seldom-noted facet of social capital.

Group membership commonly entails the expectation that those who are successful in their business pursuits should, to some extent, “share the wealth” with others. This is especially true if social capital in the form of subsidized loans, business information, buyer loyalty, and the like contributed to that success. In such cases, less fortunate members of the group can avail themselves of the same normative expectations originally used by the successful to press their own claims. At the extreme, as in the case of the ethnic enterprises studied by Geertz in Bali, such expectations may end by turning promising business ventures into welfare hotels, blocking any possibility of accumulation.

In the indigenous villages surrounding the town of Otavalo in the Ecuadorean Andes, male owners of garment and leather artisan shops are often Protestants (or “Evangelicals,” as they are known locally) rather than Catholics. The reason is not that the Protestant ethic spurred them to greater entrepreneurial achievement or that they found evangelical doctrine more compatible with their own beliefs, but something rather more instrumental. By shifting religious allegiance, these entrepreneurs remove themselves from the host of social obligations for male family heads associated with the Catholic Church and its local organizations. The Evangelical becomes, in a sense, a “stranger” in his own community, which insulates him from free-riding by others on the strength of Catholic-inspired norms.

A second hidden cost of sociability is the constraint that community norms place on individual conduct and capacity for innovation. This is an expression of the age-old conflict between traditional soli-

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darity and modern freedom, analyzed by Tönnies and Simmel. The greater the density and multiplexity of social networks, the more closely individual conduct is regulated in terms of its observance of social mores and conformity with established patterns of economic conduct. Tightly knit groups stand or fall together and while their solidarity contributes resources to individual entrepreneurship, it also imposes definite limits on personal initiative. This is why ethnic entrepreneurial communities tend to specialize in a few niches of economic activity and remain there across generations.

Nee and Nee cite the example of San Francisco's Chinatown, a highly entrepreneurial community where, until recently, the family clans and the Chinese Six Companies reigned supreme. These powerful groups regulated the business and social life of the community, guaranteeing its normative order and ensuring privileged access to resources for Chinese entrepreneurs. Such assets came at the cost of extensive restrictions on members' scope of action and contacts with the outside world. What put teeth in the clans' demand for conformity was their control of land and business opportunities in Chinatown and their readiness to punish and even hound from the community anyone who adopted too "progressive" a stand.

Long ago, Weber noted that community restrictions on individual initiative and particularistic obligations were precisely the features of traditional economic organization that would be superseded by rational modern capitalism. He thought the spread of its universalistic norms would do away with these and other obstacles to economic efficiency and sustained accumulation. While Weber never claimed that such norms would come to dominate every sphere of economic action, we can assert with the benefit of hindsight that they are far from doing so. Social ties and their attendant obligations pervade every aspect of economic life, even the most "rationalized." We have noted negative consequences of embeddedness by way of cautioning against too rosy a picture of its benefits (social capital). But the benefits are also real. The balance between universalistic and particularistic criteria—what Weber labeled the contest between formal and substantive rationality—varies with the situation and is a matter for empirical scrutiny. The same can be said of the balance between the benefits and costs of sociability. In one setting, social capital may propel individuals and groups forward in a spiral of accumulation and innovation grounded in mutual support; elsewhere, similar social structures may foster conformity and undermine attempts at creative entrepreneurship.

Cumulative and Unintended Effects

Path-dependence is an economic concept used to denote the influence of past states on present conditions. For example, past spells of unemployment may lead to greater chances of present unemployment, even after controlling for individual traits. In sociology, the same notion was introduced by Becker under the label "cumulative causation." He sought to demonstrate how past events and decisions progressively lock individuals into a given career path, increasing the costs and decreasing the probability of shifting to others. In economic sociology, cumulative causation is frequently used as an explanation; unlike the notion of path-dependence in economics, however, the emphasis here is on the social contexts that make such spiraling possible.

An example is Granovetter's analysis of determinants of finding a job. Past spells of unemployment and lack of early employment reduce the probability of finding a job because they cut off the individual from social networks through which job information is diffused. Unemployment thus leads to a downward spiral of removal from labor market opportunities, since the longer people are unemployed, the smaller and more remote their association becomes with the networks in which job-relevant information circulates. The same process also occurs across generations. Lower employment rates among working-class black teenagers as compared with their white peers is partly explained by the weaker capacity of poor black families to insert their offspring in the labor market. As Granovetter explains, teenagers seldom secure jobs; instead, the jobs "come to them." White parents are usually in a better position to make this happen. Lack of early job experience handicaps black teenagers as they later seek adult employment. For many, this represents the beginning of the downward spiral.

A second example comes from Roger Waldinger's study of ethnic occupational niches. The concentration of certain ethnic groups in particular industries, such as construction and retail trade, or in certain public bureaucracies, such as the police or sanitation departments, occurs through a process that is in a sense the opposite of that described by Granovetter. Cumulative causation operates in this case through the entry and successful performance of "pioneers" in certain branches of employment and their subsequent referral of kin and co-ethnics for other job openings. Later arrivals are compelled to work diligently not only to fulfill personal obligations to those who found them jobs but also because they are being monitored by
the entire ethnic community (enforceable trust). These employees open the way for others until the ambiance of the workplace acquires the cultural tones of the group. Once this happens, outsiders find it increasingly difficult to overcome entry barriers while those in co-ethnic networks are granted privileged access. Waldering illustrates the process with white ethnic control of the New York construction industry and with the experiences of Indian and Egyptian engineers and other professionals in New York’s civil service. Originally excluded from public employment because of their foreign status, these immigrant professionals have managed to carve a large niche in the City’s bureaucracy and today represent a major force in various departments. 41

A final type of cumulative effect is that which arises as the unanticipated and unintended consequence of purposive individual action. Over fifty years ago, Merton highlighted the significance of unintended consequences for social theory and the concept has since been applied to a number of research areas in sociology. Recently, Coleman turned it into a centerpiece of his version of rational action theory. Coleman endorses the neoclassical postulate of individuals as independent maximizers, but notes that when a number of actors pursue their goals without institutional constraints, their actions often lead to cumulative consequences that are exactly the opposite of those intended. 43 He offers market “bubbles,” “stampedes,” and panics as illustrations of this process and argues that the role of sociologists is to study the dynamics of such episodes as well as the development of institutional authority to prevent them. This line of thinking does not, of course, differ greatly from that of neo-Marxists who argue that the “relative autonomy” of the state is a consequence of the functional need for an agency that reins in the self-destructive consequences of capitalism. 44 In both arguments, state authority represents the ultimate answer to the institutional need for control of the irrational collective consequences of individual rationality.

Economic sociologists have noted, however, that unintended consequences can follow not only from self-seeking pursuits, but from altruistic and group-oriented behavior as well. For example, the social capital that accounts for the economic success of members of a particular ethnic community often sets back those who do not belong to it. The substantive advantages gained by collectivities where bounded solidarity and trust are abundant detract from individual freedom and the observance of universalistic rules. 45 The complexity of these interactions sometimes makes sociological analyses of economic life appear hopelessly imprecise. Yet full awareness of these complexities represents a more defensible point of departure for the.

Four from the Sociology of Immigration

Since its beginnings early in the twentieth century, the sociology of immigration developed an autonomous theoretical tradition that sought to explain such things as the higher ratio of mental illness among the foreign-born and the various stages of their integration into the host society. Concepts like marginality, acculturative stress, “eth-class,” assimilation, and amalgamation emerged as the field evolved during the first half of the century. 46 Closely allied to the functionalist paradigm by the end of this period, the sociology of immigration underwent a significant transformation during the 1970s and 1980s as its earlier conceptual apparatus was found insufficient to cope with the realities of the new foreign waves. The increasing complexity of modern immigration and the ethnic groups it spawned posed one kind of challenge, while another was posed by the need to come to terms with propositions advanced by the neoclassical school to explain the same processes. The concepts reviewed in this section evolved in the course of a sustained dialogue with both the earlier tradition of the field and modern neoclassical views.

Core-Periphery Influence and Structural Imbalancing

Mainstream economic thinking offers a straightforward analysis of the origins of migration as a result of international differences in the demand and supply of labor. Countries with large labor supplies and small amounts of capital produce low equilibrium wages. The opposite is the case for countries where labor is scarce and capital abundant. The result is migration of the factors until wages decline sufficiently in capital-rich countries and rise sufficiently in labor-rich nations to produce a new international equilibrium. At the individual level, migration stems from a cost-benefit calculation of the different productivity and returns to human capital in different national settings.

Borjas has introduced the notion of a “global migration market,” where individuals rationally calculate the relative benefits of staying put as opposed to moving to one or another foreign destination. 47
People migrate to places where the expected net returns over a given time period are greatest. Net returns are calculated by multiplying the productivity of human capital in the destination country times the probability of finding employment there and subtracting the material, social, and psychological costs of the journey. If expected benefits exceed costs, people move.

Sociologists of immigration have noted a number of empirical anomalies that systematically contradict these predictions. International labor migration largely originates in countries at an intermediate level of development rather than in countries where wages are lowest. Furthermore, in these intermediate countries, the very poor and the unemployed are not the first to migrate and are generally underrepresented in the outbound flow. Instead, it is people with some resources—small rural proprietors, urban artisans and skilled workers—who most commonly initiate and sustain the movement. But of course, not all of them leave. Migration is a highly selective process in which certain urban areas and rural communities become prime sources of the movement, while other areas of comparable socioeconomic makeup are not touched by it.

These anomalies have led sociologists to voice dissatisfaction with the predictions of neoclassical theory and to advance an alternative conceptualization. It operates on two levels, one macrostructural and pertaining to differences between nations as sources of outmigration, and one microstructural and focused on intranational community differences.

At the first level, the sociological approach notes the close affinity that exists between a history of contact, colonization, and intervention by powerful “core” nations over weaker ones and the onset of migration flows from the latter. International migration patterns tend to reflect with notable precision the character of past hegemonic actions by global powers. An example is the series of immigration flows that consolidated the present Latin-origin communities in the United States. These flows reflect, mirrorlike, the history of North American expansion into its immediate periphery. The countries that supplied the major contingents giving rise to today’s ethnic communities—Mexico, Puerto Rico, Cuba, and the Dominican Republic—were each, in turn, targets of this expansionist pattern. The economic, political, and cultural penetration that followed altered the makeup of these peripheral societies to the point where many would-be migrants were acculturated into North American ways even before setting foot abroad.

The concepts of influence in the core-periphery system and of structural imbalancing were coined to reflect this alternative explana-

... tion. According to these concepts the emergence of regular labor outflows of stable size and known destination depends largely on the prior expansion of stronger nation-states into peripheral sending areas. The social, economic, and cultural institutions of the sending areas are then remolded until migration to the hegemonic center emerges as a plausible option. This process has taken several different forms during the history of capitalism, ranging from coerced labor extraction (slavery) beginning in the sixteenth century to the present self-initiated labor flows. Migrant recruitment through deliberate inducements, identified by Piore as a key factor in producing labor flows from peripheral countries, represents the midpoint in the evolution of labor migration in the core-periphery structure. Deliberate migrant recruitment was responsible for the onset of Irish labor migration to the northeast of the United States in the mid-nineteenth century; for rural Italian migration to the same region as well as to Brazil and Argentina later in the century; and for the start of labor migration from the interior of Mexico to the southwestern and midwestern United States in the same period.

Spontaneous migration, when people move without any coercion or without inducement by their future employers, is mostly a twentieth century phenomenon. It corresponds to the increasing integration of peripheral societies into the global economy and their populations’ growing awareness of opportunities abroad. The fulfillment of normative consumption expectations imported from the advanced countries becomes increasingly difficult under conditions of economic scarcity, while growing cross-national ties make it easier to seek a solution through migration. Sassen has developed a variant of this argument that links the industrial restructuring and deindustrialization of core countries to the acceleration of labor outmigration from the periphery. In her view, the movement of industrial capital to peripheral locations in search of cheaper labor produces new dislocations in the host societies. Workers in Third World “runaway” industries are exposed to the modes of production and cultural patterns of the advanced West. Their employment is short-lived, however, leaving them with new skills and consumption aspirations but without the means to implement them. Furthermore, runaway industries tend to prefer female workers who are regarded as more pliant and less costly. This preference forces unemployed males to search for alternative forms of employment, both for survival and for preservation of their traditional family status. Emigration emerges as a solution to these multiple disruptions. Sassen, Fernández Kelly, and other authors have studied the experience of the Mexican Border Industrialization Program, highlighting it as a poi-
gnant example of the social dislocations created by international in-
dustrial restructuring. 52

In its successive historical variants, the concepts of influence in
the core-periphery structure and of imbalancing thus offer a consistent
macrosociological explanation of the origins of migrant flows.
Wage differentials per se are insufficient to trigger large-scale inter-
national migration in the absence of prior contact, economic penetra-
tion, and social reorganization of sending societies. This theoretical
argument is interpretable as a particular manifestation of structural
embeddedness. Decisions to migrate do not occur in a vacuum; the
“costs” and “benefits” that enter into such individual calculations
are themselves conditioned by an institutional structure reflecting
external hegemony. Resulting transformations in the economy, societ-
y, and culture of peripheral regions provide the contexts in which
migration abroad becomes a plausible, even a necessary option for
their populations.

At the microstructural level, the sociology of immigration has not
developed a similar set of concepts to account for intranational dif-
ferences in propensities for migration between individuals and com-
nunities. Instead it has made full use of the concept of social net-
works. Migration is defined as a network-creating process because it
develops an increasingly dense web of contacts between places of
origin and destination. Once established, such networks allow the
migration process to become self-sustaining and impervious to
short-term changes in economic incentives. Costs and risks of mov-
ing abroad are reduced by the operation of these social bridges
across national frontiers, allowing women and children to join male
family heads abroad. People begin to move for reasons other than
the original economic incentives—to join family members, for exam-
ple, or to fulfill normative expectations as to “proper” behavior for
young workers. 53

The notion that international migration is simultaneously a net-
work-creating and network-dependent process has been well estab-
lished in sociology by a string of empirical studies dating back to
such classics in the field as The Polish Peasant. More recent research
has been able to determine quantitatively the importance of such
ties. In a study of 822 adult male Mexican migrants arriving in two
Texas ports of entry during 1973–1974, Portes and Bach found that
over 90 percent of their respondents had obtained legal residence
through family and employer connections in the United States. Sev-
enty percent of these men had already traveled and lived in the
North, mostly as unauthorized immigrants. They had been able to
secure their legal papers primarily through family and work ties es-

established during this period. The remainder, with few exceptions,
obtained legal status by making use of the family reunification pro-
visions of the United States immigration law. 54

Massey used the concept of social networks to account for the
differential migration propensities of thirteen Mexican communities.
He classified these communities into four stages, from one at which
migration was still incipient to one at which it reached a mass level.
The key differentiating factor was the timing of the first trips abroad
by “pioneers” from each community. Once some adult males were
recruited to work in the United States or went there on their own,
their successful return triggered additional trips and the gradual
consolidation of cross-national networks facilitating the movement
of new migrants. 55 This portrait of a self-sustaining migration pro-
cess and the imperviousness of well-established flows to changes in
economic incentives contrasts markedly with the views advanced by
neoclassical theory, based on individual utility calculations. From
the perspective of the sociology of immigration, migration by iso-
lated individuals is an exceptional event. For the most part, the pro-
cess is group-mediated and its organization and destination deter-
mined by social ties established across national borders over time.

Modes of Incorporation

According to the neoclassical model, the economic success of immi-
gants—as measured by their average earnings—is determined by
the education, work experience, and other elements of human capi-
 tal that they bring along, discounted by these skills’ foreign origin.
Chiswick pioneered the application of the concept of human capital
to immigrant economic attainment. According to him, length of resi-
 dence in the United States leads to a rapid increase in immigrant
earnings due to greater fluency in English and the accumulation of
workplace-specific skills. The effect of time since-migration is so
strong as to produce average immigrant earnings that surpass those
of comparable native-born workers. 56 This assertion has been hotly
contested by other neoclassical economists, but such disagreements
nonetheless occur within a theoretical context in which individual
skills are paramount. 57

As in the case of the origins of immigration, sociologists have
voiced dissatisfaction with this approach. Clearly education, knowl-
dge of English, and work experience are important factors affecting
newcomers’ employment prospects, but they do not suffice to fully
explain occupational mobility and earnings. Chiswick himself noted
that Mexicans failed to obtain returns on their human capital equiva-
lent to those of the native-born or even of other immigrant groups. He attributed this shortfall to a “Mexican ethnic group effect.” In her analysis of the 1976 Survey of Income and Education, Reimers confirmed this finding and reported that, in contrast to Mexicans, Cuban immigrants seemed to receive a higher-than-average return on their human capital. She concluded that diversity among Latin-origin groups was so great as to render meaningless any attempt to subsume them under the same ethnic label.

These and other anomalies have led sociologists of immigration to approach the question of long-term economic adaptation from a different perspective. Immigrants are viewed not simply as individuals who come clutching a bundle of personal skills, but rather as members of groups and participants in broader social structures that affect in multiple ways their economic mobility. The concept of modes of incorporation refers to the process of insertion of immigrants into these various social contexts. Contextual effects interact with human capital brought from abroad, determining the extent to which it can be productively used and increased.

Modes of incorporation encompass three different levels of reception. The first is the government’s policy toward different immigrant groups. During the last two decades, some groups arriving in the United States—such as refugees—have been granted special resettlement assistance; others have gained legal entry and access to the same social programs available to the native-born; still others have been actively persecuted, their claims for asylum routinely denied or granted with an inferior legal status.

The second reception level involves civic society and public opinion. For various historical reasons, a few immigrant minorities have been greeted with open arms in the United States; others have arrived with little fanfare and their presence has been mostly a matter of public indifference; still others have been unpopular and their arrival has been actively resisted by host communities. Immigrants from Britain and northwestern Europe have typically experienced the least amount of resistance, while those of phenotypically or culturally distinct backgrounds have endured much greater social prejudice. Note that this second level of reception is not necessarily dependent on the first. For example, the large number of unauthorized Irish immigrants in New England have been accorded a favorable public reception, despite their illegal status. By contrast, perfectly legal Iranian and Ethiopian refugees and Jamaican immigrants have suffered much discrimination.

The third reception level is the ethnic community. Some immigrants belong to nationalities too small to form distinct communities and hence find themselves dispersed among the native-born population. Others join communities composed primarily of manual workers. These communities offer some protection against outside prejudice and the shock of acculturation, but even when sizable, they provide few economic opportunities. Still other immigrants are lucky enough to join communities where their co-nationals have managed to create a substantial entrepreneurial and professional presence. These settings offer new arrivals opportunities for economic mobility unavailable to immigrants who join purely working-class communities.

The combination of these three reception levels constitutes the overall mode of incorporation of a particular immigrant group. Assuming that governmental reception is defined by a continuum from active resettlement assistance to active opposition and that societal reception is conditioned by the phenotypical and cultural characteristics of each immigrant group, it is possible to classify immigrant groups in a “tree-like” typology of modes of incorporation. This is done in Figure 1. Immigrant groups identified in the bottom row (all relatively recent arrivals in the United States) approximate the characteristics of each ideal type.

The effects of modes of incorporation on individual economic action can also be interpreted as a form of embeddedness. The limits and possibilities offered by the polity and the society at large can be interpreted as the structural embeddedness of the process of immigrant settlement; the assistance and constraints offered by the co-ethnic community, mediated through social networks, can be defined as instances of relational embeddedness. Empirical findings that appear anomalous when seen from an individualistic perspective (such as the above-or below-average returns on human capital experienced by different nationalities and the different rates of entrepreneurship among immigrants of comparable education levels and work experience) may be explained through this alternative conceptualization.

Middleman Groups and Ethnic Enclaves

Since Ivan Light noted the fact for the first time, specialists in immigration have emphasized the greater propensity for self-employment among the foreign-born. Immigrant entrepreneurship was originally attributed to the discrimination faced by newcomers in the American labor market, forcing many to seek alternative but marginal niches for survival. Subsequent research has shown, however, that the motivations for engaging in independent enterprise are manifold and the results are not limited to a simple escape from destitution.
Figure 1.4 Modes of Incorporation: A Typology

I. Government Policy

- Receptive
  - Prejudiced (Pr)
  - Nonprejudiced (N-Pr)

II. Societal Reception

- Indifferent
  - Pr
  - N-Pr

III. Co-ethnic Community

- Hostile
  - Pr
  - N-Pr

Examples

- Cambodian, Vietnamese Refugees, 1975–90
- Hungarian Refugees, 1956–90
- Portuguese, 1950–60
- Argentine, 1965–83
- Haitian, 1980–90
- Illegal Immigrants from Small European Countries, 1965–90

Examples include immigrant groups arriving from the start of the century to the present. Dates of migration are approximate. Groups reflect ethnic traditions that have been constitutive of the state/city.


Receptive policy is defined as legal entry with resettlement assistance; indifferent as legal entry without resettlement assistance; Hostile as active opposition to the group in terms of power or permanence in the country.

Prejudiced reception is defined as that accorded to mainstream groups; Nonprejudiced is that accorded to non-European and non-European groups.

Weak co-ethnic communities are either small in numbers or composed primarily of manual workers; Strong communities feature sizable numerical concentrations and a diversified occupational structure including entrepreneurs and professionals.

*Examples include immigrant groups arriving from the start of the century to the present. Dates of migration are approximate. Groups reflect ethnic traditions that have been constitutive of the state/city.*

Economic Sociology and the Sociology of Immigration

Theorists of economic sociology have placed considerable emphasis on the role of human capital in accounting for differences in immigrant experience. The economic theories of entrepreneurship and social mobility are particularly relevant to this analysis. The term "entrepreneurialism" refers to the tendency of individuals to invest in human capital and to engage in economic activity that is outside the formal sector. The term "social mobility" refers to the tendency of individuals to move from one social position to another, often as a result of migration.

Many researchers have argued that immigration leads to the creation of new institutions and economic activities. The term "sectoral growth" refers to the expansion of economic activities that are outside the formal sector, often as a result of the presence of immigrant populations. The term "sectoral change" refers to the transformation of economic activities that are outside the formal sector, often as a result of the presence of immigrant populations.

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signaled by the transformation of certain urban areas, which acquire a "foreign" look that is complete with commercial signs in the immigrants' language and a physical layout of businesses that accords with the group's cultural practices. Second, unlike middleman enterprises which are concentrated in the area of petty financial services and retail trade, enclaves are economically diversified. In addition to trade, they commonly encompass industrial production and specialized services both for the ethnic and external markets. Third, at some point in their development, enclaves become "institutionally complete," allowing newcomers to lead their lives entirely within the confines of the ethnic community.  

The institutional completeness of immigrant enclaves is short-lived, seldom lasting longer than one or two generations. Yet while they exist, enclaves create numerous economic opportunities for newcomers that are unavailable in the external labor market. Within the enclave, newcomers can utilize culturally specific skills brought from abroad and learn the ropes of a business through apprenticeship in co-ethnic firms. The Jewish Lower East Side of Manhattan during the first decades of the twentieth century and the cluster of Japanese small firms in Los Angeles that emerged at about the same time are instances of this entrepreneurial form: neither enclave exists today. The Cuban business concentration in Miami, originally dubbed Little Havana; the Chinatowns of San Francisco and New York; the Koreatown area of Los Angeles; and the cluster of Dominican businesses in the Washington Heights area of New York City are contemporary examples.

A third form of ethnic entrepreneurship is the colonization of selected occupational niches, illustrated by the recent transformation of parts of the New York City civil service, as described by Waldinger. Occupational niches are entrepreneurial only *luo sensu* since they do not involve independently owned firms. Instead they consist of the activities initiated by already-employed individuals to bring others of the same national origin to work with them and the gradual transformation of the workplace into an ethnic "enterprise," even if formal ownership lies elsewhere. Use of the immigrants' language for communication at work and the implementation of distinct cultural practices in the performance of tasks are indicators of this transformation, which simultaneously reduces the power of formal managers and owners.

Although differing in structure and modes of operation, middleman minorities, enclaves, and ethnic occupational niches have in common a dependence on *social networks* and *social capital* for their emergence and success. Ethnic networks are the key source of tips for suitable business sites for middleman merchants and for employment opportunities in a developing occupational niche. Networks are equally important as a source of start-up capital for middleman shops as well as enclave firms. Bounded solidarity underlies the common preference that immigrants manifest for their fellows in business transactions. Although buying from co-ethnic firms, hiring other immigrants, or bringing them into the same employment site may still be motivated by self-interest, each such instance also possesses a clear altruistic component based on solidarity with one's in-group.  

Similarly, the relative ease with which business is transacted and deals closed within the ethnic economy has its roots in trust in the enforcement capacity of the community. Although middleman merchants are known to take elaborate precautions in their dealing with outsiders, that is not the case in dealing with their fellows. Confidence that agreements will be honored is supported by an awareness that a violator will face ostracism from the ethnic business networks, outside of which there are precious few economic opportunities. Because they have less need for written documents and lawyers to guarantee the observance of contracts, ethnic enterprises have a flexibility not found among firms in the open market and, hence, a significant competitive advantage.

Bounded solidarity and trust enable employers in ethnic enclaves to demand greater discipline and effort from their workers. As we have seen, however, the obligations generated by social structures cut both ways. For employees of such firms, their social capital consists of the ability to demand preferential treatment from owners when it comes to promotions and business training. As Bailey and Waldinger have shown, informal training systems are the central mechanism promoting upward mobility within enclaves and facilitating the expansion of enclaves over time.

### The Informal Economy

The informal economy is defined as the sum total of income-earning activities that are unregulated by legal codes in an environment where similar activities are regulated. Informal activities are distinguished from criminal ones in that they encompass goods and services that are legal, but whose production and marketing is unregulated. Drugs and prostitution are criminal activities in the United States, while production of garments in clandestine sweatshops and unlicensed street vending are informal. The sociology of immigration has noted a close connection between its subject and the infor-
Immigrant overrepresentation in informal activities is closely related to their overrepresentation in small entrepreneurship. For some immigrants, the informal economy is a means for survival in a strange social environment; for others, it is a vehicle for rapid economic ascent. For still others, it is a way of reconciling economic needs with culturally defined obligations. Immigrants whose mode of incorporation is highly unfavorable are commonly found in survival activities. In his study of the Haitian informal economy of Miami, for example, Steppick notes how discrimination, official hostility, and lack of resources have forced Haitians into informal, menial, and badly paid activities as an alternative to complete destitution. Most informal services in this community (such as auto and home repairs, unlicensed restaurants, and gypsy cabs) cater to other Haitians whose very low incomes limit the possibility of accumulation.

Informal activities thrive within well-developed enclaves. Many of the businesses at the core of these entrepreneurial communities start as informal ventures and only gradually move above ground. Steppick observes, for example, that many of the sizable Cuban residential construction firms in Miami began as “back-of-the-truck” informal home repair businesses. The same is true of many established shops in New York’s Chinatown, where Sassen documented the proliferation of clandestine garment sweatshops working under contract for larger manufacturers and wholesalers in the City’s fashion district. Informality allows incipient ethnic businesses to bypass costly tax and labor regulations and thus to compete with better-capitalized firms. As we shall see, however, their tenuous legal position also exposes them to certain risks. Successful informal businesses in ethnic enclaves move above ground (that is, become formal) but are usually replaced by new underground ventures initiated by more recent immigrant arrivals.

Informal employment is also a way of reconciling material needs with family and cultural imperatives. In their study of industrial homework among Latin American immigrant women in California and Florida, Fernández Kelly and García observe that pregnancy is a frequent incentive to abandon factory employment and seek homework in garment or electronic production. Unmarried mothers are overrepresented among informal homeworkers since this kind of employment, while yielding low pay, allows them to combine work with infant care. In Miami, however, a massive shift in women’s employment from garment factories to homework had less to do with need than with cultural norms stemming from traditional Latin family norms. Fernández Kelly and García quote a prominent South Florida manufacturer on this point:

Cuban workers were willing to do anything to survive. When they became prosperous, the women saw the advantage of staying at home and still earn some income. Because they had the skill, owners couldn’t take them for granted. Eventually, owners couldn’t get factory operators anymore. The most skilled would tell a manager, “My husband doesn’t let me work outside of the home.” That was the worker’s initiative based on the value of the culture. I would put ads in the paper and forty people would call and everyone would say, “I only do homework.” That’s how we got this problem of labor shortages.

By their very character, informal activities are rife with possibilities for fraud. Since no legal framework governs their behavior, parties to a transaction may easily default on verbal commitments. This happens frequently in the informal economy, as when street vendors sell defective merchandise or when contractors change verbally agreed-upon wages in daily labor markets. Immigrant laborers who cluster on certain street corners waiting for a day’s work are frequently robbed of their pay by unscrupulous contractors or made to work under much harsher conditions than initially promised.

On the other hand, various types of informal enterprises, particularly within ethnic enclaves, manage to function smoothly over extended periods and to prosper even against the risks of discovery by the authorities and malfeasance by suppliers and buyers. The viability of such firms is predicated on their being embedded in a milieu where social capital stemming from solidarity and trust compensates for illegality and the lack of formal means of redress. Boundedly solidarity within enclaves shields such firms from the risk of official detection. Enforceable trust cemented by the sanctioning capacity of the community not only increases flexibility of transactions, as we have seen, but also allows them to occur entirely outside the pale of state
regulation. In its outer appearance, the informal economy represents the operation of an unconstrained free market and indeed has been described in these terms by some economists. In reality, immigrant informal activities can be as regulated as those in the formal sector, except that the courts and the police are replaced by normative enforcement through ethnic networks.

Conclusion

Economists and sociologists alike have attempted in the past to rescue the study of economic action from the exclusive sway of an individualistic perspective. Joseph Schumpeter, in particular, saw economic sociology as a helpful corrective to the neoclassical penchant for transforming people into “mere clotheslines on which to hang propositions of economic logic.” North American institutional economists—Veblen, Commons, Slichter, and Dunlop in particular—labored mightily toward the same goal. Although he did not line up with the institutionalists and in fact sharply criticized them, Parsons’s intellectual project also represented an attempt to carve out a field for sociology distinct from the academic space occupied by neoclassical economics.

Such early efforts foundered for two reasons. First, the institutionalists and their successors and sympathizers were able to provide tightly reasoned critiques of the neoclassical model, but did not offer an alternative theory in its place. Veblen and his contemporaries produced brilliant case studies of upper-class consumption patterns, labor economics, and comparative development, but these studies were based on ad hoc empirical material and did not cumulate theoretically. The same was true of subsequent sociological studies of labor relations, managerial behavior, and interlocking directorates.

Parsons’s project to carve out a distinct academic space for sociology was first elaborated in The Structure of Social Action (1937) and culminated, in terms of its applications to economic action, in Economy and Society (1956), which Parsons wrote with Neil J. Smelser. This was indeed highly systematic theory, but it suffered from shortcomings exactly opposite to those that plagued the institutionalist camp. Whereas institutionalists were closely attuned to historically specific events, Parsons’s categories were almost timeless in their abstraction. And while selfish and opportunistic behavior occupied an important place in the institutionalists’ analyses of economic life, it was almost ruled out of existence in Parsons’s social system.

The project’s emphasis on moral imperatives and value introjec-

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This chapter was written while I was in residence at the Russell Sage Foundation. I acknowledge gratefully the comments on earlier versions by the authors of other chapters in this volume and, in particular, the comments of Robert K. Merton, the Foundation's scholar-in-residence, whose suggestions proved most helpful. The contents are the author's sole responsibility.

Notes


10. Ibid.


This is indeed the pattern observed by Boissevain in his Maltese studies. Other examples include the operation of rotating credit associations among Asian immigrants as described by Light, and the payment of noncollateralized debts among Cuban and Dominican entrepreneurs described by Portes and Zhou. See: Ivan Light, Ethnic Enterprise in America: Business and Welfare among Chinese, Japanese, and Blacks (Berkeley: University of California Press, 1972), and Alejandro Portes and Min Zhou, "Gaining the Upper Hand: Economic Mobility among Immigrant and Domestic Minorities," *Ethnic and Racial Studies* 15 (October 1992): 491–522.


Ibid. See also Mark Granovetter, "The Sociological and Economic Approaches to Labor Market Analysis: A Social Structural View," in M.
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40. Ibid. Michael Florio. Birds of Passage. (New York: Cambridge University Press. 1979)
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