

Chapter 5

Life and Work in the Inner-City

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Asian Pacific Americans play an increasingly significant role in the economy of America's inner-cities. For many Americans living in suburbs and small cities, the inner-city has become synonymous with a multitude of social and economic problems plaguing this nation — poverty, drug abuse, crime, welfare dependency and physical blight. These problems are the products of a cumulative process of abandonment that marginalizes and alienates an ever increasing number of people. A disproportionately large number of inner-city residents are African American, a testimony to the powerful and pervasive role of racism. However, America's older urban areas and their problems should not be seen as endemic to only one racial group. The particular hardships of inner-city life affect others, including Asian Pacific Americans.

Asian Pacific Americans play multiple roles in the economy of the urban core — as residents, workers and entrepreneurs. Residents live in neighborhoods populated largely by immigrants or refugees. A high poverty rate is common, despite the fact that a high employment rate is the norm in many of these neighborhoods. In others, a high rate of joblessness prevails. Many are part of the working poor or find employment in an ethnically defined subeconomy. Ethnic entrepreneurs play a strong role in the enclave economy, but have also emerged as prominent "middleman" merchants in other low-income neighborhoods. They fill a void created by the absence of mainstream retailers and producers. At the same time, their presence has generated new sources of interracial tensions.

Asian Pacific Americans will influence the way this nation pursues urban revitalization. Certainly, low-income Asian Pacific neighborhoods share many of the problems facing other inner-city neighborhoods; consequently, the corresponding urban policies and programs must involve Asian Pacific Americans along with other groups. At the same time, there are features unique to the development of Asian Pacific enclaves in the inner-city. These bring with them specific sets of problems as well as potential contributions that Asian Pacific Americans can offer under informed public policy.

We begin this chapter by first discussing the larger process of urban decline and how it has created communities of high poverty. We place the general development of Asian Pacific inner-city neighborhoods in this historical context and profile several communities for illustrative purposes.¹ We have selected four urban neighborhoods, two that are older enclaves and two that have emerged with the arrival of post-1965 immigrants and refugees from Asia. The neighborhoods are: San Francisco and New York Chinatowns, Los Angeles Koreatown, and the Cambodian community in Long Beach, also known as New Phnom Penh. We then look at the role of Asian Pacific entrepreneurs in non-Asian Pacific inner-city communities. We conclude by summarizing the problems facing Asian Pacific Americans in the inner-city and the prospects concerning their role in urban revitalization.

Inner-City Communities and Urban Decline

Inner-city neighborhoods are not new to this nation. Immigrant tenements existed in the great industrial cities of the manufacturing belt that stretched from the Northeast to the Midwest around the turn of the century. Employment, health, and housing problems in these slums were horrendous (Ward, 1975). In later decades, minorities and African Americans, in particular, became a growing share of the population in aging inner-city areas. Today, America's racial ghettos have been characterized by the social ills associated with being economically marginalized, such as high rates of crime, substance abuse, teen pregnancy, welfare dependency, school drop-out, and long-term unemployment.

These problems have grown in severity as poverty has become more concentrated in major urban centers. Between 1959 and 1985, the percentage of the nation's poor residing in

metropolitan central cities grew from 27 percent to 43 percent (Kasarda, 1993). This increased concentration has transformed the neighborhoods. Between 1970 and 1990, the total number of persons living in a metropolitan census tract in which the poverty rate was greater than 40 percent increased steadily from less than four million to nine million (Mincy and Wiener, 1993, Table 1; Tobin, 1993, Table 5.2).

The residents of extremely poor inner-city neighborhoods are predominantly nonwhite. In the largest metropolitan areas, non-Hispanic blacks comprised 52 percent of the 1990 population residing in concentrated poverty areas (tracts where the poverty level was at least 40 percent); they were followed by Hispanics (36 percent), non-Hispanic whites (9 percent), and "others" (3 percent) (Mincy, 1993, Table 3c). An increasing percentage of those living in poverty are immigrants. In 1990, foreign-born residents constituted 10 percent of all those living in concentrated poverty areas, up from 3.5 percent two decades earlier (Mincy and Wiener, 1993, Table 6).

The growth of inner-city poverty can be traced to an exodus of jobs driven by three phenomena: 1) suburbanization, 2) regional realignment, and 3) global competition. Suburbanization, which dates back to at least the last century, occurs as firms relocate to the outer edges of the city in response to rising land costs within the urban center and to changes in the cost of transportation and public services. Firms also take advantage of prior suburbanization by following the labor force and consumers outwards (Mills 1989; Mills and Price, 1984; Mieszkowski and Mills, 1993). The building of efficient transportation systems accelerates suburbanization, as the cost and time required to transport goods declines. Federal government policies after World War II contributed to the process by subsidizing highway construction and homeownership. Race plays a role in suburbanization, as studies indicate that the presence of a large minority population in the central city, relative to the number of minorities in the suburbs, accelerates the exodus of both white residents and jobs (Mills, 1985; Mills and Price, 1984).

The flight of jobs from the urban center is not solely a result of suburbanization. During the late 1960s and through most of the 1970s, the shift in production and jobs from the older industrial "frost belt" of the Midwest and Northeast to the

“sunbelt” of the South and Southwest has also contributed to employment losses (Harrison and Bluestone, 1988). The rise of the sunbelt took place gradually, but several factors accelerated its emergence. Public policy, particularly in the form of defense spending, facilitated the industrial development of this region (Markusen, 1984). Rising oil prices during this period favored firm relocation to the sunbelt, where energy costs and energy requirements were lower. Lower labor costs and weaker unions also attracted established firms and new capital investments. Moreover, a more moderate climate, a lower cost of living, and lower land prices lulled residents, insuring a growing labor pool for expanding businesses (Sawers and Tabb, 1984). The net result of the regional shift was the disappearance of hundreds of thousands of manufacturing jobs from the older industrial cities.

International competition is a third factor. Over the last two decades, U.S. manufacturers have increasingly found themselves competing against both developed and developing nations which are able to produce and sell goods at lower prices. The significance of imports can be traced to the late 1960s, but the effects became pronounced in later years. Imports as a percentage of the gross domestic product grew modestly in the 1970s, from 7 percent in 1969 to 8 percent in 1979, but jumped to 11 percent by the end of the 1980s. One reaction to competition has been to cut labor costs through layoffs, wage and benefit reductions, and the relocation of production to low-wage areas both within the United States and abroad (Sassen, 1988; Smith and Feagin, 1987; Mollenkompf and Castells, 1991). These changes have been supported by deregulation and federal tax laws which favor corporate restructuring and speculative strategies (Goldsmith and Blakely, 1992).

In urban centers, the above three phenomena have transformed the composition of employment. Higher-paying jobs in manufacturing have been replaced by lower-paying jobs in services and retailing. At the same time, the demand for the highly-educated and highly-skilled expanded in finance, insurance, and real estate (FIRE), and in professional services, which together created a new class of well-paid urban workers. Consequently, urban labor markets across metropolitan regions have sharply divided, with increasing disparity between high-paying, upwardly mobile, stable jobs and jobs which are

low-paying, unstable, with little job mobility (Sassen, 1988; Goldsmith and Blakely, 1992; Harrison and Bluestone, 1988).

The economic transformation had a devastating effect on African Americans. Blacks held a disproportionate share of the jobs that were lost, with many of those displaced unable to find equivalent employment. Discrimination and lack of affordable housing in many suburban areas prevented many from following the outmigration of jobs (Massey and Denton, 1993). Additionally, the lack of education and training created a "mismatch" between the skills possessed by inner-city residents and those required for emerging jobs (Kain, 1968; Kasarda, 1989). The employment problems created by the mismatch were aggravated by racial discrimination in hiring by employers (Moss and Tilly, 1993a, 1993b). Some employers drew a "redline" around inner-city areas which they identified as undesirable places from which to recruit (Kirschenman and Neckerman, 1991).

In some African American neighborhoods, the structural changes and resulting joblessness led to a cumulative decline that undermined social and community institutions, leaving behind what William Julius Wilson labeled the urban underclass (1987). The "concentration effects" of poverty resulted in alienation and behavioral patterns which, in turn, reinforced their economic marginalization.² Although the size of the urban underclass is small, approximately 2.7 million according to one estimate (Mincy and Wiener, 1993, Table 1), its existence reveals the ultimate tragedy produced by contemporary racism.

The economic transformation also led to the growth of Latino inner-city neighborhoods. Latinos account for over one-fifth of those residing in concentrated poverty areas nationwide and one-third of those in concentrated poverty areas in the largest metropolitan cities. The poverty rates in many Latino barrios match those of the most depressed African American ghettos. The major source of poverty, however, is different. Many Latinos are immigrants or migrants who have been absorbed into the expanding low-skilled sector where poverty arises from the low level of wages as opposed to widespread joblessness (Melendez, 1993; Morales and Ong, 1993; Sassen, 1993; Betancur, Cordova, and Torres, 1993). With the exception of some Puerto Rican neighborhoods, there is not yet a clear emergence of a Latino urban underclass (Moore, 1989).

Latinos and African Americans, however, were not the only minority groups to be incorporated into the inner-city segment of the urban economy. Asian Pacific Americans have built an economic and residential niche. In the following sections, we discuss the economic characteristics of Asian Pacific communities in several inner-city metropolitan areas.³

Asian Pacific Urban Settlements

Asian immigrants formed some of the earliest racially defined communities in urban America. Long before the establishment of black ghettos in New York's Harlem and Chicago's South Side,⁴ the Chinese were forced by racial violence and legal restrictions to retreat into Chinatowns throughout the West. The origins of land-use control and restrictive covenants, which had been the legal basis for housing segregation, can be traced to the efforts to isolate the Chinese (Ong, 1981; Warner, 1972; Vose, 1959). Subsequent waves of Asian immigrants led to the formation of enclaves such as Little Tokyo in Los Angeles, Manilatown in San Francisco, and the International District in Seattle.

Many of the older Asian communities went into decline during World War II and the first two decades following the war. Japanese American enclaves were destroyed by the mass and illegal internment of this population during the war. Although some residents did return to their pre-war neighborhoods, most dispersed throughout the nation. Urban renewal programs destroyed other residential communities, further dispersing the population.⁵ With new immigration restricted by a racially biased national-origins quota and with a waning of overt state-sponsored racism, other Asian enclaves lost population. Many completely disappeared by the early 1960s.⁶

A major exception to the post-World War II decline was San Francisco's Chinatown,⁷ which, as the largest and oldest Asian enclave at that time, received a large share of the limited number of new arrivals. Between 1940 and 1960, the Chinese population increased from about 16,000 to over 28,000.⁸ However, this community was not destined to grow much more despite the reemergence of large-scale immigration from Asia following the enactment of the 1965 Immigration Act. This

community grew slightly during the 1970s, from about 28,000 Chinese in 1960 to about 32,000 in 1970.⁹ Since then, Census data indicate that the number has remained stable. This lack of a net growth is due to a limited ability to expand into adjacent neighborhoods, for Chinatown is surrounded by the financial district, Union Square (the city's major retailing district), Fisherman's Wharf, and high-income neighborhoods such as Nob Hill. Developments in these neighborhoods, along with other problems,¹⁰ continue to threaten the future vitality of Chinatown.

Though the absolute number of residents in San Francisco Chinatown remained fairly stable over the past two decades, there is a high rate of turnover in residence. Chinatown still serves as a point of entry for new immigrants, as two-fifths (44 percent) of Chinese in Chinatown arrived between 1980 and 1990.¹¹ Many families have moved to more spacious quarters in less densely populated areas once they could afford to do so. San Francisco's Richmond district, which is located several miles to the west, has challenged the pre-eminence of Chinatown as the commercial and residential center of the Chinese population in that city. At the same time, there remains a stable core of elderly residents in Chinatown.¹²

Post-1965 immigration has had a far more profound impact on New York City's Chinatown, whose growth has made it the largest Chinese enclave in the United States. By 1970, its population of nearly 27,000 Chinese was nearly as large as that of San Francisco's Chinatown.¹³ Unlike its West Coast counterpart, the enclave in New York is geographically less constricted. By 1990, the number of Chinese had grown to about 50,000,¹⁴ and larger if one considers that the census enumeration missed many immigrants. The growth is driven by recent immigrants, who comprised 43 percent of the Chinese population in 1990. It is questionable whether this enclave can continue to expand at a phenomenal rate. Though less constricted than San Francisco, New York's Chinatown is similarly adjacent to financial centers and residential areas where housing prices are expensive. Already, "new Chinatowns" have emerged or expanded throughout the New York area — Sunset Park in Brooklyn, Canal Street in Manhattan, and Main Street in Queen's Flushing district.

The older Asian urban enclaves have been joined by new

ones, such as Koreatown in Los Angeles. Prior to post-1965 immigration, Koreans were concentrated in parts of South Central.¹⁵ Today's Koreatown is located north of the original enclave centered at Western Avenue and Olympic Boulevard. This community lies within an older and centrally located section of the city, but is not directly adjacent to the downtown commercial district. In contrast to the older Chinatowns, Koreatown and other recently emerged enclaves do not have an ethnically homogeneous core. Koreans comprise only one-third of the total population in Koreatown and live alongside Latinos, who comprise the majority. The Korean population in Koreatown has rapidly grown, however, from less than 1,200 in 1970 to over 30,000 today.¹⁶

Los Angeles Koreatown has served as a point of entry for many who arrive to the U.S. and remains a predominantly immigrant community. Approximately two-thirds (67 percent) of its Korean residents are recent arrivals, having immigrated after 1980. Despite the low unemployment rate among Koreans living in Koreatown (4 percent), there is a high level of poverty. Over one-quarter (26 percent) of Korean residents live below the poverty level. It is also a fairly youthful population, with 20 percent under the age of 15 and only 8 percent who are age 65 and over.

The Cambodian community in Long Beach, a city located in the southern part of the Los Angeles metropolitan area, is another example of the new Asian Pacific urban enclave. As late as the spring of 1975, there were only seven Cambodian families who were reported living in Long Beach.¹⁷ That changed rapidly with the fall of the Lon Nol government in 1975 and the subsequent mass exodus of refugees. The movement started with the assistance of several exchange students who aided the relocation of refugees from Camp Pendleton military facility to this city. In five short years, the Cambodian community expanded to over 8,000.¹⁸ Ethnic and kinship ties and later the establishment of mutual aid organizations, churches, and services such as ESL classes attracted more residents, including "second migrants" from other parts of the country. By 1990, over 15,000 Cambodians lived in New Phnom Penh. The population is very young with an extremely high proportion of recent arrivals; 71 percent arrived to the U.S. between 1980 and

1990 and 46 percent are under 15 years of age.

The Cambodian population is distinct from the other communities profiled in this section, as it is a refugee rather than an immigrant population. Like other Southeast Asian refugee communities, the socioeconomic conditions facing Cambodians are more severe than those facing other ethnic and racial groups. This is certainly true in the case of the Long Beach enclave, where half of all Cambodians live below the poverty line. Households often include the extended family, and it is not

Table 1. 1990 Population Characteristics
Asian Pacific Americans
in Selected Urban Neighborhoods

	N. Y. Chinatown	S. F. Chinatown	L. A. Koreatown	L. B. New Phnom Penh
Age				
Youth (age <15)	15%	14%	20%	46%
Elderly (age 65+)	14%	23%	8%	3%
Nativity				
US-born	17%	23%	12%	22%
Recent immigrant	43%	44%	67%	71%
Below Poverty	25%	17%	26%	50%
Median HH Income	\$18,200	\$20,000	\$20,000	\$17,000
Mean HH Size	3.1	2.6	3.0	5.7
Homeowners	8%	18%	11%	8%

Note: Statistics for New York and San Francisco Chinatowns, Los Angeles Koreatown, and Long Beach New Phnom Penh include values for Chinese, Koreans, and Cambodians, respectively. "Recent immigrant" includes those entering the U.S. between 1980 and 1990.

Source: U.S. Bureau of the Census, Public Use Microdata Sample, 1990

uncommon for more than one nuclear family to share housing. An average of about six persons live in each Cambodian household in the Long Beach enclave, nearly twice that of the other selected neighborhoods.

These profiles do not represent the wide range of inner-city Asian Pacific communities, but they illustrate their diversity and common characteristics. First, their growth is driven by immigration, and as immigration continues these communities will remain important points of entry. Second, these communities are culturally and socially unique, providing a comfortable home for ethnic minorities and adding to the diversity of the urban milieu. And third, these communities face serious social and economic problems. These include the strains of cultural adjustment among new arrivals, economic poverty, deteriorating housing conditions, overcrowding, and special problems facing elderly, youth, and refugee populations. These communities are growing at a rapid rate during a time of fierce economic competition and global recession.

Employment of Enclave Residents

With the exception of New Phnom Penh in Long Beach, the three enclaves — San Francisco Chinatown, New York Chinatown and Los Angeles Koreatown — are characterized by a high level of economic activity among the working-age population (see Table 2). As a community of refugees, the residents of New Phnom Penh suffer from a multitude of personal and social problems that limits employment opportunities and forces many to rely on public assistance. Chapter 6 examines this phenomenon in fuller detail. In the other three enclaves, the labor force participation rates range from slightly below to well above the national rate. This has occurred despite the presence of severe deficiencies in human capital. A majority of the working-age population (61 percent) either do not speak English or speak it poorly, and nearly half (48 percent) have less than a high school level education. There are also significant differences across communities, with Koreatown having the smallest proportion of disadvantaged workers and New York's Chinatown having the largest proportion. There is not, however, a corresponding difference in the labor force participation rates. For

example, despite the astonishingly high proportions of adults with limited English ability and limited education in New York Chinatown, the labor force participation rate ranks first. Clearly, factors other than the observed measures of human capital influence whether or not a person works.

One explanation is that many residents, particularly those with limited skills, are immigrants with a strong work ethic that is reinforced by social pressure. For example, the typical Chinatown resident in San Francisco feels compelled to work to avoid "tarnishing his public image and, perhaps more importantly, to avoid bringing shame upon the family" (Ong, 1984, p. 50). This behavior is so strong that a large number of individuals are willing to accept very low wages rather than remain jobless. Over one-quarter of the employed in the four communities work for less than \$4.00 (1989\$) per hour.¹⁹ Low wages, in fact, can have the effect of increasing the number who work because they force households to send two or more workers into the labor market in order to meet their financial needs.

The high participation rates are by no means due solely to individual characteristics. Employment occurs when there is also a demand for the workers' labor. Although many enclave residents find employment in mainstream firms, frequently in clerical and janitorial positions in adjacent retailing and office centers, others work in what is known as the ethnic economy.²⁰ This subeconomy can be defined by its reliance on ethnic capital and labor; ethnicity serves as a basis for pooling resources and defining employer-employee relations.²¹ As discussed in Chapter 3, these resources help some Asian Pacific Americans to establish and operate businesses. While the contribution of ethnic resources to Asian Pacific entrepreneurship as a whole is limited, they can play a significant role for firms within the ethnic economy. Ethnic solidarity also supports economic functions in relation to labor. Social networks and community institutions facilitate job searches by individuals and recruitment by firms. Moreover, a common language and a shared set of values facilitate the coordination of production.

A significant segment of the ethnic economy is concentrated in the ethnic enclave. Many of these firms exist through agglomeration effects created by the presence of a multitude of economic and cultural activities. Collectively, these activities

Table 2. Economic Characteristics
of Working-Age Population

	N. Y. Chinatown	S. F. Chinatown	L. A. Koreatown	L. B. New Phnom Penh
Limited English proficiency	65%	58%	56%	69%
Limited education	61%	50%	24%	68%
Labor force participation	81%	76%	69%	28%
Unemployment rate	6%	6%	4%	21%
Median earnings	\$9,000	\$11,000	\$15,000	\$12,000
Self-employed	7%	7%	27%	6%

Notes: Prime working-age population includes those between the ages of 24 and 64.

See Table 1 for definition of ethnic groups included.

The category of limited-English-speaking ability includes those who indicated they speak English "not well" or "not at all."

Source: U.S. Bureau of the Census, Public Use Microdata Sample, 1990

are able to draw in outside dollars by attracting co-ethnics from throughout the region, tourists looking for "exotic" sights, and non-Asian Pacific workers from adjacent employment centers.²² The firms rely on a local, ethnically-bounded labor pool of low-wage workers who are limited by a lack of transportation, low skills, and low English-language proficiency. Because of limited capital and the nature of the client base, the "export" sector of the ethnic economy is often limited to activities such as curio and novelty shops, ethnic-oriented groceries, restaurants, garment assembly plants, and menial services. There is also an

economic sector that caters to "domestic" needs of local residents. This sector is comprised of banks, real estate and insurance offices, health and legal services, and a variety of establishments that meet social and cultural needs. The "export" and "domestic" sectors are interlinked. The income generated from the former enlarges the latter, and the existence of "ethnically" looking establishments on the "domestic" side contributes to the ambiance that attracts outsiders. Moreover, many enclave firms actually serve both local residents and outsiders.²³

While many residents find employment in the enclave segment of the ethnic economy, it is not a self-enclosed system. Even in San Francisco's Chinatown, which has one of the most developed enclave economies, there is considerable movement into and out of this unit. Roughly half of those working in the enclave commute from other parts of the region, while roughly half of the working residents find work outside the enclave, in both ethnic and non-ethnic firms. Nonetheless, the ethnic economy and its enclave segment play an important role in absorbing what would otherwise be excess and unemployable labor.

Although the Census does not provide information on the ethnicity of employers, which would indicate the level of employment within the ethnic economy, we can use industrial distributions of workers and other variables to estimate the relative importance of the ethnic economy. Among the working residents in the four enclaves, 15 percent are in apparel manufacturing and another 16 percent are in restaurants, two industries that are closely identified with the ethnic economy. The combined percentages vary by community, ranging from 50 percent in New York's Chinatown to only 18 percent in Koreatown. The low percentage in Koreatown is offset by an unusually high self-employment rate (27 percent), which is another economic activity that is largely based within the ethnic economy. A broader, but more ambiguous measure, is employment in wholesale and retailing. Roughly one-quarter of the employed work in this sector.

A survey of Asian Pacific households in low-income Asian Pacific communities in Los Angeles found that 40 percent of the employed respondents either had a co-ethnic employer or supervisor (Ong et al., 1993, p. 54). These numbers suggest that

at least one-third of enclave workers depend on the ethnic economy. Without this internally generated demand for co-ethnic workers, it is unlikely that the labor force participation rates would be as high as observed.²⁴

Ethnic economies generate benefits, but not without liabilities. These subeconomies provide employment opportunities not available elsewhere and can provide a preferable alternative to employment in the secondary labor market.²⁵ The ethnically-bounded labor markets shelter ethnic group members from direct interethnic and interracial competition for the same jobs. In some cases, the ethnic economy reproduces many of the desirable features of the primary labor market such as higher returns to human capital. This is possible when ethnic firms exercise monopolistic control and provide informal training which leads to greater opportunities for self employment. Finally, there are non-monetary benefits, such as the chance to work among co-ethnics and shelter from racial subordination in the workplace.

But there is an underside. Although the enclave economy may bring comparable returns to human capital for business owners, the same is not always true for their employees. Enclave businesses have a narrow economic base, face harsh competition, suffer high turnover, and earn low profits. They consequently create undesirable labor conditions. The isolation of workers often leaves workers vulnerable to unfair labor practices. Ethnic solidarity can facilitate the exploitative nature of the relationship between owner and worker, leading to harsh conditions. Wages tend to be low and benefits such as health insurance are often absent. Unfair labor practices are not uncommon, including unpaid wages, violation of worker health and safety regulations, unpaid workers' compensation, and violation of minimum wage laws.²⁶ Additionally, the utilization of unpaid family labor is more frequent among ethnic small businesses.

The relative balance of the positive and negative employment outcomes for enclave residents hinges on the interplay of supply and demand in the labor and product markets. The degree of competition, the supply of cheap labor, the growth of firms, and the final demand for their goods and services are key variables. Outcomes are partly dependent on market forces within the ethnic/enclave economy. The isolation of its labor

market can concentrate the adverse effects of a growing supply of immigrant labor, which tends to push down wages in the absence of a concomitant growth in businesses. However, merely expanding the current set of business activities would not necessarily raise wages beyond current levels because of the pressures on firms to keep prices down.

These pressures are formed by market forces beyond the ethnic/enclave economy. Although Asian Pacific workers may not be in direct competition with other minority workers for the same jobs, there is indirect competition because the ultimate buyers have the option of purchasing from other sources. This is true in the garment industry, for example, where the extent of garment production within the Asian Pacific community is determined by the availability of non-Asian Pacific subcontractors who rely on low-wage Latino workers. Restaurants and curio shops, heavily dependent on tourism and on nearby office workers, are also sensitive to the business cycle. When the economy goes into recession, both industries take a dive.

Despite these limitations, ethnic/enclave economies are nevertheless a key factor that explains why employment outcomes differ among minority neighborhoods in the inner-city. Moreover, there are many non-economic dimensions of ethnic-based development that affect the quality of life in the inner-city. Enclaves serve as a spatial center from which members organize to facilitate social relations, promote cultural activities, and increase political leverage. Subsequently, many community-based institutions and associations play a role in local politics and have the potential to play a greater role in revitalization efforts. One segment of the community which has a large influence not only on the ethnic enclave economy, but on the economy of the inner-city at large are small business owners.

Middleman Minority

Asian Pacific entrepreneurship in the inner-city is not limited to Asian Pacific enclaves. Throughout recent American history, Asian Pacific-owned businesses could be found in various urban neighborhoods, including communities of color. Paul C.P. Siu (1987), for example, traces the existence of Chinese laundries in urban centers to the late 19th and early 20th

centuries. Chinese, Japanese and Korean Americans operated retailing businesses in African American communities such as South Central Los Angeles prior to the 1960s. A few are still in business, but it is more common to find recent immigrants from the countries or from other parts of Asia — such as South Asia, Hong Kong, Taiwan, and Vietnam — running neighborhood grocery stores and restaurants, gas stations, clothing and wig boutiques, stalls in “swap” meets, and small hotels. In addition to businesses in retail and service sectors, Asian Pacific Americans are also involved, though to lesser degrees, in small-scale manufacturing, international trading, and professional services in the urban core.

The presence of Asian Pacific businesses in minority neighborhoods is a result of various factors, including their entrepreneurial drive, barriers to their employment in the mainstream labor market, barriers to entrepreneurship faced by other minority groups, and the commercial void created by the absence of mainstream firms in inner-city neighborhoods. Asian Pacific entrepreneurs have overcome some of the barriers to business ownership through such strategies as the mobilization of ethnic and family resources. Additionally, the oversaturation of businesses in many of their respective ethnic enclaves, especially in retail and service industries, has prompted entrepreneurs to venture outside of their ethnic market niche. Some, particularly those with limited funds, have opted to run businesses in low-income minority communities where the startup costs are relatively low. Most of these businesses are mom-and-pop operations, but there are also larger firms ranging from small supermarkets and retail chains to import wholesalers and medium-scale assembly or production plants.

Asian Pacific entrepreneurs have been said to fill the function of “middleman minority,” which refers to their position as brokers between a racial minority clientele and non-minority business elites (Bonacich, 1973). Asian Pacific Americans are not the first to play this role and have often followed in a succession of ethnic business owners. For example, the urban riots of the 1960s prompted many Jewish merchants to sell their stores, many to newly-arrived Asian Pacific immigrants whose populations were rapidly growing during that period.²⁷

At the same time, business practices among some recent

Asian Pacific groups have changed the definition of the middleman. The original concept was developed when production and wholesale distribution were controlled by a white elite. Although this pattern still persists, the global economy has added new complexity. Today, retail trade in some sectors involves ethnic wholesalers who do business directly with producers in their country of origin. Moreover, Asian Pacific entrepreneurs are not limited to retailing. Some have established production facilities that rely on minority labor. This is particularly true in labor intensive industries as in the case of garment work, where Asian Pacific immigrants act as labor contractors for U.S. producers (Bonacich, 1993). "Middleman" in reference to Asian Pacific Americans now characterizes businesses in minority neighborhoods regardless of the sources of capital, goods or services (Ong, Park, and Tong, 1993).

Although it is impossible to quantify the size of this phenomenon, we can identify issues pertinent to public policy concerning community economic development. The experiences of these entrepreneurs can be described as a bittersweet endeavor. On the one hand, operating businesses has provided Asian Pacific Americans with a means of economic survival and, in some cases, an avenue for upward mobility. At the same time, their presence in economically distressed areas has generated resentment among other racial and ethnic groups. While intergroup antagonism is not present in all situations, reports of conflict have become commonplace.²⁸

Racial antagonisms often begin with complaints directed by customers towards individual merchants. At least four complaints have been repeatedly aired: 1) merchants exhibit racist attitudes and rudeness; 2) there is an inability to communicate due to language and cultural differences; 3) merchants do not hire local residents; and 4) merchants do not "give back" to the community in the form of economic or civic participation outside of profit-making. Although individual members of the various Asian Pacific groups do business with local clientele or hire local workers, the publicity over racial conflict has centered on Korean merchants. This may be due to the high proportion of Korean businesses which serve non-Korean clientele.²⁹

While ethnic and racial antagonism has its economic roots, the resentments among residents are shaped by broader historical

forces. Longstanding grievances against discriminatory practices on the part of financial institutions, for example, set the stage for racially based resentment by African Americans against newly-arrived immigrants who were able to establish businesses. The emergence of Asian Pacific merchants is perceived by some groups as another mechanism in a long history of racial oppression which contributes to their subordinate status in the U.S. Meanwhile, some Asian Pacific immigrant entrepreneurs hold negative stereotypes acquired in their home countries, either through the media or through limited contact with U.S. military personnel. The high crime rate in many inner-city neighborhoods has served to reinforce negative images of other minority groups and has fostered a defensive posture among Asian Pacific entrepreneurs (Ong, Park and Tong, 1993; Kim 1981). Misunderstandings as a result of language and cultural differences have often exacerbated antagonisms and hindered conflict mediation.³⁰

Interracial tensions not only fester between merchants and customers, but often involve employers and employees. In Los Angeles, for example, racial tensions have arisen in the garment industry between Asian Pacific contractors and Latino workers. In this highly competitive and exploitative industry, conflict between owners and workers is endemic. Where class positions are defined along ethnic categories, the clashes are often transformed into ethnic antagonism (Bonacich, 1993).

Though ethnic and racial conflicts do not occur between all merchants and their patrons or between all employers and those they employ, conflicts between individuals can feed into intergroup tensions, transcending class and geographic boundaries. This has taken place among Korean Americans and African Americans in sections of New York, Chicago and Los Angeles. Complaints against individual merchants have become political rallying points for boycotts and demonstrations, becoming embroiled in a wider movement for racial justice and community control. Korean merchants have taken collective action to protect their economic interests in their quest to attain the "American dream." Ironically, this group solidarity has further emphasized the racial dimension of the conflict, fueling intergroup antagonism.

The escalation of tension is an interactive process involving direct participants, but is often affected by government. The

widely publicized conflicts in Los Angeles illustrate this process. One case which heightened tensions between the African American and Korean American communities involved the fatal shooting of an African American girl, Latasha Harlins, by liquor store owner Soon Ja Du. The guilty verdict with the absence of a prison sentence enraged many in the African American community who saw the judicial system as valuing Korean American life over that of African Americans. The judge's action confirmed in the minds of many African Americans a prevalent view that Korean Americans are collaborating with the very system that historically victimized them.³¹

The tensions between African Americans, Latinos, and Korean Americans further escalated in the wake of the April-May 1992 civil unrest. In addition to 43 deaths, 2,383 injuries, over 16,000 arrests, and \$1 billion in property losses, over 2,000 Korean-owned stores were damaged or looted, representing over \$400 million in monetary losses. Many of those businesses lost were located in South Central Los Angeles (Ong and Hee, 1993). Koreans felt betrayed both by the police department which did not respond to their calls as well as by those who looted and vandalized their stores. As rebuilding proceeded, residents objected to the city permitting the reopening of liquor stores, the majority of which were owned by Korean Americans. Organizers saw these outlets as contributing to substance abuse, the deterioration of the social environment, and the lack of neighborhood control.³² Though individual leaders within the Korean and African American communities made efforts to prevent the racialization of this controversy, the politics of the issue was racially tinged, since the majority of closed outlets were owned by Korean Americans and protestors were predominantly African American.

This controversy illuminates a dilemma facing Asian Pacific Americans operating businesses in low-income, minority communities. Although Asian Pacific Americans are not the cause of poverty and discrimination, they have become a part, albeit a relatively powerless part, of an economic system that drains meager resources from these neighborhoods. One could argue that many of the desired services would not be provided were it not for Asian Pacific entrepreneurs. But this does not negate the daily hardships faced by local residents nor does it justify the presence of undesired businesses. Occupying the

middleman-minority position, many Asian Pacific merchants have become the target of rage and resentment held by those who are frustrated with the treatment received in an economically and racially polarized society.

Concluding Remarks

Asian Pacific Americans have historically been an integral part of inner-city life and continue to play an increasing role today. They occupy the roles of worker, resident, and entrepreneur. Each position is accompanied by a set of issues and concerns which have implications for urban policy. The conditions facing Asian Pacific Americans in the inner-city are important to address and provide insight into the problem of economic revitalization.

One lesson is the importance of the ethnic enclave economy in the absorption of ethnic immigrant labor. The evidence shows that the ethnic economy provides employment opportunities, but working conditions are often harsh, wages low, and benefits non-existent. For immigrants who are most disadvantaged, there is some improvement over time, but not enough to lift them into the middle class (see Chapter 3 for details). The challenge is to support the economic viability of urban ethnic enclaves in such a way as to take the particular needs and concerns of all parties into consideration.

The experience of Asian Pacific entrepreneurs in other low-income, minority communities raises serious policy questions concerning the role of entrepreneurial development in inner-city revitalization. How does business development in the inner-city benefit those who live there? Who should be given public support to do business in the inner-city? What type of business development is desirable or undesirable and from whose perspective? How should state and local government regulate business development in the inner-city in order to reach the related but distinct goals of commercial revitalization and poverty alleviation? And how can urban revitalization policies address the problem of interracial conflict?

Clearly, the root causes of poverty and inequality must be eliminated in order to fully alleviate racial group tensions.³³ However, to the extent that Asian Pacific entrepreneurs play a role in economic revitalization, there are areas in which business

owners can exercise choice to maximize their contributions and minimize unnecessary intergroup conflict. The choice of business type, the employment of local residents, attention to wage scales and working conditions, investment into the overall life of the communities in which they conduct business, and the improvement of interpersonal skills and business practices are several ways that Asian Pacific business owners can affect economic and social outcomes. Entrepreneurial development is one area in which members of some Asian Pacific groups have extensive experience, expertise, and support networks. However, the potential they possess in playing a more productive role in urban revitalization has yet to be tapped by public policy instruments.

The development of small businesses, however, represents only one of a variety of ways to revitalize the economy of the inner-city. While ethnic enclave development has provided an economic livelihood for some residents, the experience of Asian Pacific Americans shows that other measures are still needed to overcome the numerous barriers to better employment. Additionally, other forms of economic development, including cooperatives, nonprofit business training projects, and alternative vehicles for economic activity merit consideration. And lastly, as changes in the global economy focus greater attention on the importance of human capital for economic survival, the education and training which inner-city residents receive is of utmost importance.

Appendix — Asian Pacific Suburban Enclaves

Not all Asian Pacific urban communities are located in the inner-city. New York's Jackson Heights/East Elmhurst area (in Queens), San Francisco's Sunset District (on the western edge and south of Golden Gate Park), and the City of Cerritos (southeast of the City of Los Angeles) are examples of newer Asian Pacific enclaves. These communities tend to be ethnically diverse. The Asian Pacific population in these areas is comprised of Chinese (40 percent), Korean (20 percent), Indian (12 percent), Filipino (15 percent), and others (13 percent) including those of Japanese, Southeast Asian, and Pacific Islander ancestries. Like

other recently emerging and rapidly growing communities, a large proportion of residents (45 percent) are recent immigrants.

Located in less densely populated areas where land values are lower as compared to inner-city Asian Pacific enclaves, these areas have attracted a number of residents who can afford to purchase homes. While the home ownership rate ranges between 8 to 18 percent for the other selected neighborhoods, the home ownership rate among Asian Pacific Americans in suburban-urban areas ranges from 27 percent in Jackson Heights/East Elmhurst to 78 percent in Cerritos. Similarly,

Table 1. 1990 Population Characteristics
Asian Pacific Americans
in Selected Suburban Neighborhoods

	Jackson Heights	Cerritos	S. F. Sunset District
Age			
Youth (age <15)	19%	23%	19%
Elderly (age 65+)	5%	5%	9%
Nativity			
US-born	14%	29%	34%
Recent immigrant	61%	38%	28%
Below Poverty	16%	8%	9%
Median HH Income	\$33,000	\$55,460	\$46,250
Mean HH Size	3.4	4.0	3.5
Homeowners	27%	78%	64%

Note: "Recent immigrant" includes those entering the U.S. between 1980 and 1990.

Source: U.S. Bureau of the Census, Public Use Microdata Sample, 1990.

while the median household income for the other selected neighborhoods ranged from \$17,000 to \$20,000 in 1990, the median annual household income for Asian Pacific Americans in these three suburbs ranged from \$33,000 to \$55,460. While the median income is higher in comparison to the other four selected neighborhoods profiled in this chapter, poverty may still remain a problem. For example, approximately 16 percent of Asian Pacific Americans in Jackson Heights/East Elmhurst live below the poverty level.

Notes

1. We view these inner-city communities in contrast to other Asian Pacific communities in large metropolitan areas, many of which remain in urban core areas but do not exhibit the same degree of economic hardship as do those highlighted in the body of this chapter. See Appendix for economic and employment data for a sampling of cities which do not fit the more commonly known characteristics of the inner-city but which are located in large metropolitan areas.
2. According to Wilson (1987), the underclass is defined by a lack of attachment to the labor force among adults, the prevalence of female headed families with children and correspondingly high welfare usage rates, high crime rates, and a youth population alienated from schools and other traditional social institutions.
3. There are other social indicators which can be used to measure the well-being of these communities. These include measures of welfare dependency, school drop-out, involvement in criminal activity, and the breakup of the nuclear family. However, due to a lack of systematic data on Asian Pacific American ethnic groups, this chapter will rely on economic indicators.
4. See Osofsky (1971) for discussion of blacks in New York City, and Spear (1967) for discussion of blacks in Chicago. Both authors date the formation of the black urban ghetto in the two respective cities to the period around the turn of the century.
5. See Okamoto, 1991; Doi, Fujita, Kawahara, Niiya, and Umemoto, 1986; and Tatsuno, 1971.
6. See Lee (1960) regarding this process for Chinatowns. See Ong and Liu (1993) for a description of the change in race-based policies.
7. Urban decline did not affect Asian Pacific Americans in Honolulu in the same way due to differences in historical conditions and population ratios.
8. The San Francisco Chinese Community Citizens' Survey & Fact Finding Committee (1969) listed a total of 28,578 persons who were neither white nor black residing in three areas: Hard Core Chinatown, Residential Chinatown, and Potential Chinatown. There was no separate count for Asian Pacific Americans or Chinese, but the

Committee stated that nearly all of the nonwhite/non-black population were Chinese. This area also contained some Filipinos, who lived in the eastern portion of greater Chinatown, which was also known as Manilatown. The 1940 figure is from Loo (1991, p. 50).

9. The latter figure is reported in Loo (1991, p. 50).
10. See also Bishop (1990). Past redevelopment projects and the encroachment of the financial district have reduced the size of Chinatown and pushed up rents. Other factors also threaten the economic viability of Chinatown businesses, including the closing of the Embarcadero Freeway damaged during the 1989 earthquake and declines in the tourist trade.
11. The data describing the population characteristics of the Asian Pacific populations have been tabulated from the 1990 U.S. Census Public Use Microdata Sample (PUMS), a sample of 5 percent of the population. We use PUMS areas, sub-metropolitan areas of at least 100,000 persons, to define our sample. The boundaries for the PUMS samples do not necessarily correspond to the boundaries of the residential ethnic enclave for each of the communities profiled in this section. Therefore, the numbers and percentages may vary slightly and are presented as approximate rather than exact totals and proportions. The use of the term "recent immigrants" refers to those entering the U.S. between 1980 and 1990.
12. San Francisco Chinatown has a more stable residential core in comparison to New York Chinatown. This is indicated by a higher proportion of elderly (23 percent as compared to 17 percent), a slightly higher median annual household income (\$20,000 compared to \$18,200), and a higher rate of home ownership (18 percent as compared to 8 percent) among Chinese residents in San Francisco Chinatown as compared to their cohorts in New York Chinatown.
13. 1970 and 1980 statistics are listed in Zhou (1992, p. 187, Table 8-1).
14. Using the geographic definition of what had been considered greater Chinatown in 1970, the 1990 Census listed 50,309 Asian Pacific Americans and 49,020 Chinese. However, the 1990 Census shows adjacent census tracts that contain over 1,000 additional Chinese.
15. According to Givens (1939, pp. 31-32), this settlement began with the establishment of the first Korean church in 1905. The Korean community in Los Angeles in the late 1930s was concentrated in the area between Vermont and Western Avenues and between Adams Boulevard and Slauson Avenue. These were older neighborhoods with families from a mix of racial and ethnic backgrounds who located where racial housing covenants were not strictly enforced.
16. As of 1990, there were 28,000 Koreans residing in Koreatown. With the recent growth, the number has reached an estimated 30,000. U.S. Bureau of the Census, Census of the Population, 1970 and 1990.
17. The history of this community is based on Trounson (1981); Holley (1986); and Ong et al. (1993).

18. At that time it was bounded by 7th Street on the south, Pacific Coast Highway on the north, California Avenue on the west, and Freeman Avenue on the east.
19. The hourly rate at the 25-percentile was \$3.91. The minimum wage in 1989 was \$3.35 per hour and moved up to \$3.80 per hour in 1990.
20. Ethnic economies are not unique to Asian Pacific Americans, but also exist in other immigrant populations. For example, see Portes and Bach (1985) for a discussion on Cuban enclave economies.
21. The literature on enclave economies and working conditions in these subeconomies has grown considerably over the last few years. The following discussion is based on Zhou (1992), Light (1972), Light and Bonacich (1988), Light and Bhachu (1993), Portes and Wilson (1980), Portes and Bach (1985), Wong (1987), Portes and Jensen (1987), Zhou and Logan (1991), Mar (1991), Kim (1981), Bonacich (1987), Kwong (1987), Ong (1984), Sanders and Nee (1987), Kato (1993), Ong et al. (1993).
22. Another way of defining the enclave economy is as one part of a sequence of stages of ethnically defined business development proposed by Waldinger, Aldrich, Ward and associates (1990). In the first stage, a limited number of very small businesses arises to serve a small population of immigrant workers. As the population grows, the community undergoes a qualitative change that marks the second stage with a much broader set of social, cultural, and economic activities. This describes the ethnic enclave. The third stage involves ethnic entrepreneurial activity in communities other than their own, including the role of middleman merchants. In the last stage of this sequence, immigrant entrepreneurs assimilate and disperse over the wide range of industrial activity and become closer to the characteristics of white-owned businesses.
23. In many cases, owners themselves live outside of the inner-city enclave in which their businesses are located.
24. The low labor force participation rate of adults in New Phnom Penh may be partly explained by the lesser degree of enclave economic development within the Cambodian community relative to the other three communities.
25. Jobs in the secondary labor market, in contrast to those in the primary labor market according to dual labor market theory, are characterized by low-skill work, low wages and fringe benefits, poor working conditions, job instability, high rates of labor turnover, and little chance of upward job mobility. See the following for discussions of labor market segmentation theories: Gordon, Edwards, and Reich, 1982; Kerr et. al., 1960; Doeringer and Piore, 1971, Chapter 8.
26. For example, a recent crackdown by the U.S. Department of Labor on a random sample of restaurants in San Francisco found violations of federal minimum wage and hour, overtime, and wage reporting laws, particularly in ethnic restaurants. See *San Francisco Chronicle*, December 17, 1993. See also Kato (1993).

27. See Takahashi and Hee, n.d. For example, many store owners doing business in the Watts area of south central Los Angeles prior to the 1970s were Jewish along with early Asian immigrant groups, primarily Japanese and Chinese. Following the Watts rebellions of the late 1960s, however, many closed their businesses or relocated to other areas. This period coincided with the period of increased immigration from Asia following the 1965 Immigration Act. Many new Asian Pacific immigrants took over small businesses from established Jewish, Chinese, and Japanese merchants who were leaving the south central area.
28. Data and analyses on the conflict are drawn from Ong, Park and Tong (1994), Umemoto (1994), and Freer (1992), unless otherwise noted. There are also numerous accounts of tensions between Asian Pacific merchants and non-Asian Pacific residents in the popular media. For examples, see: *New York Times*, November 25, 1990 and July 30, 1990.
29. Waldinger and Aldrich, 1990. They refer to Illsoo Kim's findings (1981) to note that the distinguishing mark of Korean business in America, as compared to other immigrant groups, is the fact that business growth has occurred by selling non-ethnic products in the general market.
30. See also Stewart, 1989.
31. For example, collaboration was suggested by a reporter of the *Los Angeles Sentinel*, the largest West Coast African American vernacular, in an interview with Judge Karlin, who presided over the trial of Soon Ja Du. The reporter asked how the Korean community views her after the sentencing, referring to a donation reportedly made by the Korean American Grocer's Association to Karlin's reelection campaign. See *Los Angeles Sentinel*, March 18, 1992.
32. The campaign to lower the density of liquor stores had begun over nine years prior to the civil unrest. With weak and largely ineffective regulations by the alcohol and beverage control board, the relative numbers of liquor outlets flourished in neighborhoods with little political power to control zoning commission decisions and with low-income populations vulnerable to substance abuse and addiction.
33. For example, the implementation of the Community Reinvestment Act increasing capital to inner-city borrowers, ending redlining practices discriminating against inner-city economic development on the part of banks and insurance companies, implementing effective employment and training programs, ending employment and housing discrimination, improving the educational infrastructure, and other more fundamental steps need to be taken.